MASTEC INC
Form 10-K
February 28, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012
Commission File Number 001-08106

MasTec, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Florida	65-0829355
(State or Other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
800 S. Douglas Road, 12th Floor, Coral Gables, FL	33134
(Address of Principal Executive Offices)	(Zip Code)

(305) 599-1800
(Registrant's Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.10 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Exchange Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer; as defined in rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):
ý Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company
Indicate by check mark whether the registrant is shell company (as defined in Rule 12b-2 of the Act.) Yes ¨ No ý
The aggregate market value of the registrant’s outstanding common stock held by non-affiliates of the registrant computed by reference to the price at which the common stock was last sold as of the last business day of the registrant’s most recently completed second fiscal quarter was $852,244,110 (based on a closing price of $15.04 per share for the registrant’s common stock on the New York Stock Exchange on June 30, 2012).
There were 76,597,318 shares of common stock outstanding as of February 25, 2013.
The registrant’s definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A for the 2012 annual meeting of shareholders is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

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Cautionary Statement Regarding Forward-Looking Statements

We are making this statement pursuant to the safe harbor provisions for forward-looking statements described in the Private Securities Litigation Reform Act of 1995. We make statements in this Annual Report on Form 10-K and in the documents that we incorporate by reference into this Annual Report that are forward-looking. When used in this Annual Report or in any other presentation, statements which are not historical in nature, including the words "anticipate," "estimate," "could," "should," "may," "plan," "seek," "expect," "believe," "intend," "target," "will," "project" and words and negatives thereof and similar expressions are intended to identify forward-looking statements. They also include statements regarding:

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

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

- market conditions, technical and regulatory changes that affect us or our customers' industries;
- further or continued economic downturns, reduced capital expenditures, reduced financing availability, customer consolidation and technological and regulatory changes in the industries we serve;
- the timing and extent of fluctuations in geographic, weather, equipment and operational factors affecting the industries in which we operate;
- the impact of any federal, state or local incentives, tax legislation or other regulations affecting the industries within which we operate particularly, renewable energy;
- our ability to estimate the costs associated with our fixed price and other contracts and performance on such projects;
- increases in labor, fuel, maintenance, materials and other costs;
- our ability to integrate acquired businesses into our operations;
- the highly competitive nature of our industry;
- the impact of any unionized workforce, or related labor organization efforts on our operations, including labor availability and relations;
- liabilities associated with multiemployer union pension plans, including underfunded liabilities, for our operations that employ unionized workers;
- trends in electricity, oil, natural gas and other energy source prices;
- the effect of state and federal regulatory initiatives, including costs of compliance with existing and future environmental requirements;
- risks associated with operating in international markets, which could restrict our ability to expand globally and harm our business and prospects or any failure to comply with laws applicable to our foreign activities;
- our ability to replace non-recurring projects with new projects;
- the ability of our customers, including our largest customers, to terminate or reduce the amount of work, or in some cases prices paid for services on short or no advance notice under our contracts;
- our dependence on a limited number of customers;
- the planned sale of Globetec Construction LLC and its subsidiaries ("Globetec");
- our ability to retain qualified personnel and key management, including from acquired businesses, enforce any noncompetition agreements, integrate acquired businesses within expected timeframes and achieve the revenue, cost savings and earnings levels from such acquisitions at or above the levels projected;
- our ability to attract and retain qualified managers and skilled employees;
- the outcome of our plans for future operations, growth and services, including business development efforts, backlog, acquisitions and dispositions;
- our ability to obtain performance and surety bonds;
- restrictions imposed by our credit facility, senior notes, convertible notes and any future loans or securities;

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- the adequacy of our insurance, legal and other reserves and allowances for doubtful accounts;
- any material changes in estimates for completion of projects;
- any material changes in estimates for legal costs or case settlements or adverse determinations on any claim, lawsuit or proceeding;
- any exposure related to divested businesses;
- liquidity issues related to our investments in auction rate securities;
- any dilution or stock price volatility that shareholders may experience in connection with shares we may issue as consideration for earn-out obligations or as purchase price consideration in connection with past or future acquisitions, or as a result of conversions of convertible notes or other stock issuances;
- our ability to settle conversions of our convertible notes in cash due to contractual restrictions, including those contained in our credit facility, and the availability of cash; and
- the other factors referenced in this Annual Report, including, without limitation, under Item 1, “Business,” Item 1A, “Risk Factors,” Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other factors detailed from time to time in the reports and other filings we make with the Securities and Exchange Commission (the "SEC").

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Furthermore, forward-looking statements speak only as of the date they are made. If any of these risks or uncertainties materialize, or if any of our underlying assumptions are incorrect, our actual results may differ significantly from the results that we express in, or imply by, any of our forward-looking statements. These and other risks are detailed in this Annual Report on Form 10-K, in the documents that we incorporate by reference into this Annual Report on Form 10-K and in other documents that we file with the Securities and Exchange Commission. We do not undertake any obligation to publicly update or revise these forward-looking statements after the date of this Annual Report on Form 10-K to reflect future events or circumstances, except as required by applicable law. We qualify any and all of our forward-looking statements by these cautionary factors.

PART I

ITEM 1. BUSINESS

Overview

We are a leading infrastructure construction company operating mainly throughout North America across a range of industries. Our primary activities include, but are not limited to, the engineering, building, installation, maintenance and upgrade of energy, utility and communications infrastructure, including: electrical utility transmission and distribution, power generation, natural gas and petroleum pipeline infrastructure, wireless, wireline and satellite communications, wind farms, solar farms and other renewable energy infrastructure and industrial infrastructure. Our customers are primarily in these industries.

Including our predecessor companies, we have been in business for more than 80 years. We offer our services primarily under the MasTec service mark and, as of December 31, 2012, we had approximately 12,300 employees and more than 400 locations. We have been consistently ranked among the top specialty contractors by Engineering News-Record for the past five years.

We serve a diversified customer base, which includes some of the leading pipeline, communications, power generation and utility companies in North America. For the year ended December 31, 2012, our top ten customers for our continuing operations were AT&T, DIRECTV®, Mid-American Energy, Energy Transfer Company, Duke Energy, DCP Midstream, Dominion Virginia Power, Enbridge, Inc., Chesapeake Midstream Partners LP and enXco. We have longstanding relationships and have developed strong alliances with many of our customers, and we strive to maintain these customer relationships and our status as a preferred vendor. We often provide services under multi-year master service and other service agreements.

We have actively pursued a diversification and expansion strategy in recent years. This strategy has deepened our presence and expanded our service offerings in key markets, including: wireless; natural gas, natural gas liquids and petroleum pipeline; electrical transmission; power generation and industrial, including renewable energy and heavy industrial infrastructure, among others. In addition to integration and growth opportunities associated with our diversification and expansion strategy, we also seek opportunities to expand our geographic presence and to expand our traditional business areas, such as telecommunications and install-to-the-home services.

We may also divest certain businesses or assets due to, among other things, their respective performance or their fit within our long-term business strategy. See discussion of recently discontinued businesses in Note 4 - Discontinued Operations in the notes to the consolidated financial statements.

For additional information, refer to Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” and Item 8. “Financial Statements and Supplementary Data.”

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Reportable Segments
Reorganization and Reportable Segments

In December 2012, MasTec completed a management reorganization resulting in four internal groups consisting of Communications, Oil and Gas, Electrical Transmission and Power Generation and Industrial. Each is led by a single Group President and each is a reportable segment as defined in ASC 280, Segment Reporting. The reorganization focused on concentrating business development efforts and resources based upon broad end-user markets for our construction services. The reorganization began informally in late 2011, after the completion of five acquisitions, and continued during 2012 by hiring group management and modifying reporting lines accordingly. Our 2012 organizational changes were significant. The combination of the entities into each of the four groups is intended to enable each group to achieve better growth, better management and better profitability by leveraging customer relationships to increase cross-selling, offering greater geographic coverage to our customers and achieving higher utilization and efficiency from both employees and equipment.

For instance, the Communications Group includes the Company's install-to-the-home, wireless and wireline businesses. We believe that integrating all of our communications businesses enhances our ability to take full advantage of all of the opportunities in what has become one commingled and converging communications market. Our Communications Group infrastructure construction services support a continually converging set of end user service offerings. For example, telephone companies, cable television and satellite television operators now offer bundled telephony, video, data and internet services. We believe this revised organizational structure will help us to better cross-sell and grow revenues in what is now a single communications market. In addition, communications network construction and maintenance utilizes substantially the same employee skill sets and equipment to perform similar work. We expect that a single Group President should be able to improve costs and productivity more effectively by sharing people and equipment throughout all communications projects. Accordingly, in order to realize these objectives and to maximize opportunities in a converging communications market, we have organized these businesses into a single segment under a single leader.
The following is an overview of our reportable segments and the type of services provided by each segment.
Segment Overview
We present our continuing operations under five reportable segments: (1) Communications; (2) Electrical Transmission; (3) Oil & Gas; (4) Power Generation and Industrial and (5) Other. This structure is generally focused on broad end-user markets for our labor-based construction services and has been determined in accordance with the criteria in ASC 280, Segment Reporting. All five reportable segments derive their revenues from the engineering, installation and maintenance of infrastructure, primarily in North America.

The Communications segment performs engineering, construction and maintenance of communications infrastructure primarily related to wireless and wireline communications and install to the home, and to a lesser extent, infrastructure for electrical utilities. The Electrical Transmission segment primarily serves the energy and utility industries through the engineering, construction and maintenance of electrical transmission lines and substations. We also perform engineering, construction and maintenance services on oil and natural gas pipelines and processing facilities for the energy and utilities industries through the Oil & Gas segment. The Power Generation and Industrial segment primarily serves the energy and utility end markets and other end markets through the installation and construction of power plants, wind farms, solar farms, related electrical transmission infrastructure, ethanol facilities and various types of industrial infrastructure. The Other category primarily includes small business units that perform construction services for a variety of end markets in Mexico and elsewhere internationally.

Customer revenues by segment for the periods indicated were as follows (in millions):

	Year Ended December 31,								
Reportable Segment	2,012			2,011			2,010		
Communications	$1,772.7	48	%	$1,635.1	58	%	$1,190.6	56	%

Oil & Gas	959.0		26	%	774.3		27	%	562.6		26	%
Electrical Transmission	312.2		8	%	198.3		7	%	67.0		3	%
Power Generation and Industrial	668.1		18	%	219.6		8	%	325.6		15	%
Other	16.7		—		4.8		—		0.2		—	
Eliminations	(1.9	)	—		(0.8	)	—		(3.0	)	—	
Consolidated revenues	$3,726.8		100	%	$2,831.3		100	%	$2,143.0		100	%

Please see Segments under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 16 - Segments in the notes to consolidated financial statements.

Industry Trends

Our industry is composed of national, regional and local companies that provide services to customers in the utilities and communications industries.

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

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Increased Demand for Pipeline Infrastructure

Recent improved access to shale formations as a result of technological advances and improved economics has resulted in significant increases in petroleum industry estimates of available North American oil and natural gas reserves. Technological advances in horizontal drilling and hydraulic fracturing have made access to natural gas easier and cheaper and have led to a drilling boom in recent years and created an abundance of gas supply, which has reduced the price of dry gas, or gas without imbedded liquids, that can be extracted for higher value. Drilling continues at high levels, especially for oil and gas and natural gas liquids.

The sharp increase in drilling activity from oil and gas shales has enormous implications for the construction of oil, gas and natural gas liquids pipelines over the next two decades. According to the International Energy Agency World Energy Outlook 2012, the advances in technologies for oil & gas drilling and completion have created an energy boom in the U.S., which could lead to the U.S. becoming the world's largest oil producer by the year 2020, as well as becoming energy independent by the year 2030.

According to the North American Electric Reliability Corporation ("NERC"), development of shale gas production in North America has the potential to increase availability of gas supply in the future. Gas in shale formations represents an estimated two-thirds of North America's potentially recoverable gas reserves. This boom has also positively affected exploration and production in the oil shale regions and the liquids-rich areas of the gas shale basins, where crude and high-value gas liquid by-products can be produced with gas. As a result, expanded long-term opportunities for liquids pipelines are predicted in the Bakken, Eagle Ford, Permian, Western Marcellus, Utica and other liquids-rich shale basins.

Natural gas is one of the cleanest burning hydrocarbon fuels and is in demand because of its relative cost advantage over other fossil fuel sources. Gas production is at historic high levels and is projected to grow by 25% over the next decade according to the U. S. Energy Information Administration's Annual Energy Outlook 2013. Higher availability of low-cost natural gas supplies could substantially increase gas-fired electric generating plant additions, changing the North American fuel mix while increasing dependency on a single, largely domestic fuel type. According to the 2012 NERC Long-Term Reliability Assessment, natural gas has become the predominant option for new build power generation. Gas-fired plants are typically easy to construct, require little lead-time, and emit less carbon dioxide and are generally less expensive to construct when compared to coal and oil fired generation facilities. Federal and certain state regulations often make the siting and construction of coal fired power plants extremely difficult or in some cases virtually impossible, due to environmental and emissions concerns. These trends are anticipated to continue, which could further increase the expected number of new build natural gas plants or coal plant conversions.

We also believe that U.S. energy policy goals will continue to promote domestic sources of energy in order to reduce U.S. dependence on foreign energy sources, both for economic and national security reasons.

As result of these factors, the level of natural gas pipeline construction activity in the United States is expected to remain high. We believe that as new shale oil and gas reserves are developed, the demand for additional pipeline transport projects will grow. According to the 2011 Interstate Natural Gas Association of America ("INGAA") North American National Gas Midstream Infrastructure Through 2035 report, the U.S. and Canada will need more than 43 billion cubic feet per day ("Bcfd") of incremental mainline transport capacity from 2010 to 2035 to accommodate the anticipated changes in natural gas supply and demand. The INGAA report estimates that annual expenditures for pipeline infrastructure, including gathering and processing facilities, will average more than $8.0 billion per year over the next 25 years.

We believe we are one of the leading pipeline contractors in the U.S. Our service offerings include the construction and maintenance of large diameter pipeline, mid-stream pipeline, gathering pipelines, compressor and pumping stations and treatment plants. We anticipate that increased demand for pipeline infrastructure should provide robust pipeline, power generation and heavy industrial construction opportunities, and that our diverse capabilities and expertise in these sectors will enable us to be a leading player in this growing market.

Increased Demand for Wireless and Wired Services

Demand for faster and more robust wireless and wired services has increased significantly with the proliferation of high-speed internet connectivity, broadband, data transmission, video and music download services, high definition television and other advanced digital and video services. Data usage over wireless networks is rapidly increasing as more consumers surf the web, check email and watch video on mobile devices. Smartphones, laptops, tablets and other mobile devices have become increasingly important to consumers. In its 2012 Global Mobile Data Traffic Forecast Update, Cisco Systems, Inc. predicted that mobile network connection speeds will increase 7-fold by 2017. Cisco also predicted that 4G wireless service will be used for only 10 percent of connections, but will represent 45 percent of total traffic and that 4G connections will generate 8 times more traffic, on average, than a non-4G connections.

To serve this developing market and the ever-increasing need for more bandwidth and faster data delivery services, service providers continue to upgrade the capacity and performance of their wired and wireless networks and are deploying competing networks using new technologies. Additionally, declining equipment costs and expanded capabilities of wireline and wireless network equipment have incentivized investment. At the same time, major regional and rural telecommunication companies are upgrading their networks from copper line to fiber optic line in order to enhance their ability to provide customers with bundled services that include video, voice and data. Similar dynamics of providers seeking to improve their offerings are prevalent in the cable and satellite markets as well. The American Recovery and Reinvestment Act ("ARRA") allocated $7.2 billion for the development of broadband facilities throughout the United States and the expansion of broadband access into areas that are currently not served by high-speed data networks.

Inadequacy of Existing Electric Power Transmission and Distribution Networks

The U.S. electrical transmission and distribution infrastructure requires significant ongoing maintenance, upgrade and expansion to manage power line congestion and avoid delivery failures. Demand for electricity is expected to grow as the economy recovers and as the population grows.

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According to the 2013 Annual Energy Outlook published by the Department of Energy's ("DOE") Energy Information Administration, the U.S. population will increase by about 29% from 2011 to 2040, with energy consumption increasing by 10%. NERC reports in its 2011 Long-Term Reliability Assessment that peak demand for electricity in the North America is forecast to increase by approximately 14% over the next ten years. To accommodate the increase in demand, NERC estimates that 38,900 circuit miles will need to be added to the electrical transmission system from 2010 through 2021. Significant capital investment in the U.S. transmission and distribution system will be required to meet the needs of the growing population as well as the projected increase in use of renewable energy power resources. In March 2012, the Edison Electric Institute ("EEI") projected over $60 billion of investments in new transmission systems over the twenty year period from 2011 to 2022.

Significant investment in new transmission lines will also be required to connect new renewable energy generation projects to the electrical grid. Renewable energy power sources are typically located in remote areas. Wind power generation is feasible only where adequate average wind speed and consistency are present. The principal onshore wind resources in the United States are located in the central plains area of the country, roughly from the Texas panhandle to the Canadian border. Additionally, the most efficient and reliable onshore solar resources are located primarily in the sparsely populated desert regions of the southwest. These renewable corridors are in relatively remote areas where population density and industrial energy demand are both relatively low. As a result, relatively few traditionally fueled generation facilities exist in these areas; therefore, extensive collection and transmission projects are necessary to connect these renewable energy generation projects to the electrical grid. In a March 2012 report, the EEI estimated that almost $50 billion will be invested from 2011 through 2022 to address the integration of renewable resources through the addition or upgrade of nearly 13,000 circuit miles of transmission lines. Also driving expected growth in renewable energy related transmission projects are the current state level renewable portfolio standards, which require or target that specified percentages of energy sales or installed capacity come from renewable sources such as wind, solar, geothermal or biofuel. According to a report by The Brattle Group, if the current renewable portfolio standards were increased to a 20% federal renewable portfolio standard, the investment requirement in new transmission over the next 10 to 15 years would increase to between $80 billion and $130 billion.

In addition to projects aimed at increasing electrical power transmission capacity and integration of new renewable energy resources, efforts to modernize the existing transmission system are also expected. The category of projects using digital technology to improve reliability, security and efficiency of the electric system are known as "Smart Grid" projects. The ARRA allocated $11 billion in funds for modernization and expansion of the nation's electrical grid in order to develop a Smart Grid.

We believe that spending levels will continue to increase as utility companies work to address infrastructure maintenance, reliability and capacity requirements, as well as future reliability standards required by the Energy Policy Act of 2005 and state mandated renewable portfolio standards.

Renewable Energy Projects

The desire to decrease the U.S. dependence on foreign oil imports and the focus on a clean environment have created demand for more domestic, environmentally sensitive electrical power production, such as wind and solar collection farms. Currently, approximately 35 states as well as the District of Columbia and Puerto Rico have adopted renewable portfolio standards or goals. NERC's 2010 Long-Term Reliability Assessment projects approximately 180,000 megawatts ("MW") of new wind and solar capacity over the next ten years, and indicates that wind and solar resources account for 95 percent of anticipated renewable resource additions by 2019. We have expertise in wind, solar and industrial plant construction, and expect to be a leading player in renewable energy infrastructure projects.

The renewable energy industry is reliant on federal and state tax incentives. The ARRA was enacted in February 2009 and contained federal tax incentives applicable to the renewable energy industry. Certain key renewable energy provisions contained in the ARRA were extended in December 2010 and again in January 2013 by the American Taxpayer Relief Act (the "ATRA"). These provisions should have a positive impact on our customers' spending in a number of important areas and offer additional incentives that should benefit our business. One of the federal tax incentives contained in the ATRA is the extension of the production tax credit for wind projects that have commenced construction before January 1, 2014. The production tax credit provides the owner of a U.S. wind facility with a ten-year credit against its federal income tax obligations based on the amount of electricity produced at such facility by the owner and sold to unrelated persons during that period. The current production tax credit rate is 2.2 cents per kilowatt hour of electricity produced at a qualified wind energy facility. The wind industry will be negatively impacted, however, if the production tax credit is not extended or renewed beyond the December 31, 2013 date by which construction must be commenced on a qualified wind energy facility. The ARRA also allowed wind and solar projects to elect to claim an investment tax credit equal to 30% of the cost of certain qualifying assets in lieu of claiming the production tax credit. The ARRA also included a U.S. Treasury grant program which allowed taxpayers that own production tax credit-eligible and investment tax credit-eligible facilities to receive grants from the U.S. Treasury equal to the amount of the investment tax credit that would otherwise be available to the facility, but this cash grant in lieu of the 30% tax credit program, known as the “Section 1603 Program,” expired and was not renewed by the ATRA. The federal and state tax incentives have a finite duration, and efforts to extend or renew such incentives beyond the December 31, 2013 deadline to commence construction of a qualified wind energy facility may not be successful. However, solar projects will continue to be eligible for the investment tax credit as long as the project is placed in service prior to January 1, 2017.

The accelerated tax depreciation provision for certain renewable energy generation assets (namely, certain equipment that uses solar or wind energy or energy from geothermal deposits or biomass) provides for a five year depreciable life for these assets, rather than the longer depreciable lives of many non-renewable energy assets. First year bonus depreciation is also available for eligible equipment. Under this provision, 100% of the eligible basis may be deducted in the first year for eligible systems acquired and placed in service between September 8, 2010 and December 31, 2011 and 50% of the eligible basis may be deducted in the first year for eligible systems acquired and placed in service during 2012 or 2013. Historically, incentives such as these have increased construction activity in this sector and are expected to do so in the future. The ARRA also contains several provisions aimed at improving the electrical transmission system in the U.S., in part to facilitate the transfer of renewable energy from rural areas to high demand areas, and several of these provisions have been extended by the ATRA through the end of 2013.

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See Item 1A - Risk Factors - “The impact of the American Recovery and Reinvestment Act of 2009 is uncertain” and "The renewable energy industry is heavily reliant on tax incentives, the availability of which may be uncertain and could adversely affect demand for our services."

Wind Opportunities

Currently, approximately 3% of the United States' electrical needs are met by wind power generation. A report by the DOE presented a roadmap for increasing wind power generation to 20% of demand by 2030, which would require hundreds of billions of dollars in new wind farm investment and transmission lines. Wind deployment in 2012 was brisk. According to the American Wind Energy Association, as of December 31, 2012, the United States had approximately 60,000 MW of installed wind farm generating capacity, with approximately 13,100 MW added in 2012 and approximately 6,650 MW added in 2011. If, however, Congress does not extend or renew wind renewable tax credits in future years, levels of wind farm construction could decrease significantly.

Solar Opportunities

The U.S. photovoltaic (“PV”) market has grown rapidly over the past ten years, rising from 3.9 MW in 2000 to approximately 6,400 MW as of the third quarter of 2012, according to the Solar Energy Industries Association (“SEIA”). In 2012, the SEIA noted that PV installed capacity was expected to double versus 2011, adding approximately 3,200 MW. The increase in demand has been driven, in part, by federal and state-level incentives as well as improved project economics from falling solar panel prices. If, however, Congress does not extend or renew the solar renewable tax credits in future years, levels of solar farm construction could decrease significantly.

Heavy Industrial Opportunities

Industrial plant construction opportunities across a wide variety of industries are present. The low price of natural gas is expected to spur the construction of new gas-fired electrical generating plants, conversions of coal-fired power plants to cleaner natural gas and the construction of other plants which use natural gas as a fuel source or chemical feedstock. Industrial facilities and plants that support the biofuels, food processing, natural gas, petroleum and related industries present opportunities as additional domestic energy reserves are produced, transported and processed.

Competitive Strengths

Our competitive strengths include:

Diverse Customer Relationships. We serve a diversified customer and industry base. Our customers include some of the largest communications, power generation and utility companies in North America, including AT&T, DIRECTV®, Mid-American Energy, Energy Transfer Company, Duke Energy, DCP Midstream, Dominion Virginia Power, Enbridge, Inc., Chesapeake Midstream Partners LP and enXco. We have longstanding relationships with many customers and often provide services to many of our customers under multi-year master service agreements and other service agreements. We believe that as a result of our expansion and diversification efforts, it is unlikely that a single customer will account for greater than 25% of our revenue in the foreseeable future.

National Footprint. Including our predecessor companies, we have been in business for more than 80 years and are one of the largest companies in the infrastructure construction services industry. Through our network of more than 400 locations and approximately 12,300 employees as of December 31, 2012, we offer consistent, comprehensive infrastructure services to our customers throughout North America. We believe our experience, technical expertise, geographic reach and size are important to our customers.

Ability to Respond Quickly and Effectively. The skills required to serve our end markets are similar, which allows us to utilize qualified personnel across multiple end markets and projects. We are able to respond quickly and effectively to industry changes, demand and major weather events by allocating our employees, fleet and other assets as and where they are needed, enabling us to provide cost effective and timely services for our customers.

Reputation for Reliable Customer Service and Technical Expertise. We believe that over the years, we have established a reputation for quality customer service and technical expertise. We believe that our reputation gives us an advantage in competing for new work, both from existing as well as potential customers. In addition, we have broad capabilities and expertise in the areas of pipeline, wireless, electrical transmission, power generation, including renewable energy, and heavy industrial infrastructure.

Experienced Management Team. Our management team plays a significant role in establishing and maintaining long-term relationships with our customers, supporting the growth of our business, integrating acquired businesses and managing the financial aspects of our operations. Our chief executive officer, chief operating officer and business unit presidents average 20 plus years of industry experience and have a deep understanding of our customers and their requirements. Generally, key managers and founders of our recently acquired companies continue to work for us under long-term employment agreements or services agreements.

Strategy

The key elements of our business strategy are as follows:

Focus on Growth Opportunities. We believe that our end markets offer compelling growth opportunities, and we expect increased spending by key customers in the industries we serve. We expect development of natural gas and petroleum pipeline infrastructure, expansion of wireless infrastructure, electrical transmission capacity and distribution grid expansion and upgrades, development of power generation infrastructure, including renewable energy sources such as wind farms and solar farms, and heavy industrial projects to be areas of high investment and opportunity in the coming years. We intend to use our broad geographic presence, technical expertise, customer relationships and full range of services to capitalize

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on these trends and grow our business.

Operational Excellence. We seek to improve our operating margins and cash flows by focusing on profitable services and projects that have high margin potential, as well as by identifying opportunities for leverage within our business, such as deploying resources across multiple projects, while maintaining strong working capital management practices. We enhance our operating effectiveness and utilization rates through our ability to use certain resources across multiple customers and projects. We continue to pursue actions and programs designed to improve operating efficiencies and working capital management, such as increasing accountability throughout our organization, managing customer contract bidding procedures more effectively and increasing individual project profitability, hiring additional experienced operating and financial professionals and expanding the use of our financial and other management information systems.

Maintain Conservative Capital Structure. We have increased our financial resources in recent years. In August 2011, we amended our credit facility, which expanded our borrowing capacity from $260 million to $600 million. We also completed a debt exchange in the first quarter of 2011, resulting in the exchange of 94% of two of our outstanding series of senior convertible notes that we originally issued in 2009. The terms of the exchanged notes are substantially identical to those of the original notes, except that the exchanged notes have an optional physical (share), cash or combination settlement feature. See Note 10 - Debt in the notes to the consolidated financial statements for additional information. We evaluate our capital structure on an ongoing basis and may consider opportunities to repurchase equity or repurchase, refinance or retire outstanding debt in the future.

Focus on Acquisition Integration. We have diversified our business and expanded our service offerings and geographical footprint through numerous acquisitions in the last few years. Our strategy includes timely and efficient integration of acquisitions to best fit into our internal control environment and to maximize the potential of acquired businesses.

Leverage Performance and Core Expertise Through Strategic Acquisitions, Alliances and/or Selected Divestitures. We may pursue selected acquisitions, investments and strategic alliances that allow us to expand our operations into targeted geographic areas or continue to expand our service offerings in related fields. We may also divest certain businesses or assets due to, among other things, their respective performance or their fit within our long-term business strategy.

Services

Our core services are the engineering, building, installing, maintaining and upgrading of infrastructure for communications, power generation and utility customers. We provide similar services to each of these customers, including:

Build. We build infrastructure projects for customers across a range of industries. We specialize in building natural gas, crude oil and refined product transport pipelines; underground and overhead distribution systems, including trenches, conduits, cable and power lines, which provide wireless and wireline communications; electrical power generation, transmission and distribution systems; renewable energy infrastructure, including wind and solar farms; and compressor and pump stations and treatment plants and heavy industrial plants.

Install. We install electrical and other energy distribution and transmission systems, power generation facilities, buried and aerial fiber optic cables, coaxial cables, copper lines and satellite dishes in a variety of environments for our customers. In connection with our installation work, we deploy and manage network connections that involve our customers' hardware, software and network equipment.

Maintain and Upgrade. We offer 24 hour, 7 day, 365 days a year maintenance and upgrade support to our customers. Our comprehensive service offerings include the regular maintenance of our customers' distribution facilities, networks and infrastructure, including natural gas and petroleum pipeline, wireless, power generation and electrical distribution and transmission infrastructure. We also provide emergency services for accidents or storm damage. Our upgrade work ranges from routine replacements and upgrades to major overhauls.

Customers

We have longstanding relationships with many customers, and over 40% of our revenue is derived from projects performed under master service and other service agreements, which are generally multi-year agreements. Certain of our master service agreements are exclusive up to a specified dollar amount per work order for each defined geographic area, but do not obligate our customers to undertake any infrastructure projects or other work with us. Work performed under master service and other service agreements is typically generated through work orders, each of which is performed for a fixed fee. Services provided under these agreements range from engineering, project management and installation work to maintenance and upgrade services. Master service and other service agreements are frequently awarded on a competitive bidding basis, although customers are sometimes willing to negotiate contract extensions beyond their original terms without re-bidding. Our master service and other service agreements have various terms, depending upon the nature of the services provided, and typically provide for termination on short or no advance notice.

The remainder of our work is generated pursuant to contracts for specific projects or jobs that may require the construction and installation of an entire infrastructure system or specified units within an infrastructure system. Customers are billed with varying frequency, generally monthly or upon attaining specific milestones. Such contracts generally include retainage provisions under which 2% to 15% of the contract price is withheld from us until the work has been completed and accepted by the customer.

We believe that our industry experience, technical expertise and reputation for customer service, as well as the relationships developed between our customers and our senior management and project management teams are important to our being retained by our customers. Revenue concentration information, as a percent of total consolidated revenue from continuing operations, is as follows:

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	For the Years Ended December 31,		
	2012	2011	2010
Revenue from top ten customers	64 %	71 %	72 %
Revenue from specific customers:			
AT&T	18 %	24 %	22 %
DIRECTV®	17 %	20 %	20 %

In May 2012, Red Ventures LLC (“Red Ventures”) exercised its option to purchase DirectStar TV LLC (“DirectStar”), including its subsidiaries (together, the “DirectStar Business”), and we consummated the sale of the DirectStar Business to Red Ventures in June 2012 for a net sale price of $98.9 million in cash. DirectStar provides marketing and sales services on behalf of DIRECTV®. The sale of the DirectStar Business reduced our revenues from DIRECTV®. Refer to Note 4 – Discontinued Operations in the notes to the consolidated financial statements for additional information.

See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information pertaining to significant customers.

Backlog

Estimated backlog represents the amount of revenue we expect to realize over the next 18 months from future work on uncompleted contracts, including new contractual agreements on which work has not begun. Our backlog estimates include amounts under master service and other service agreements in addition to construction projects. We determine the amount of backlog for work under master service and other service agreements based on historical trends, anticipated seasonal impacts and estimates of customer demand based on communications with our customers. The following presents 18-month backlog for our business (excluding discontinued operations) by reportable segment as of the periods indicated (in millions):

	As of December 31,	
Reportable Segment	2012	2011 (1)
Communications	$2,521	$2,137
Oil & Gas	220	154
Electrical Transmission	453	244
Power Generation and Industrial	147	542
Other	17	15
Estimated 18-month backlog	$3,358	$3,092

(1) Excludes aggregate backlog attributable to Globetec and the DirectStar Business of approximately $247 million, which had been included in previously reported figures, due to the reclassification of Globetec and the DirectStar Business as discontinued operations.

We expect to realize approximately 71% of our year end 2012 backlog in 2013. While our backlog estimates include amounts under master service and other service agreements, our customers are not contractually committed to purchase a minimum amount of services under these agreements, most of which can be canceled on short or no advance notice. There can be no assurance as to our customers’ requirements or that our estimates are accurate. In addition, timing of revenues for construction and installation projects included in our backlog can be subject to change as a result of customer delays, regulatory requirements and other project related factors. These changes could cause estimated revenues to be realized in periods later than originally expected, or not at all. As a result, our backlog as of any particular date is an uncertain indicator of future revenues and earnings.

Sales and Marketing

Our customers increasingly require resources from multiple disciplines. Therefore, we market our services individually or in combination with other companies to provide what we believe is the most efficient and effective solution to meet our customers’ demands. Through our unified MasTec® brand and an integrated organizational structure designed to permit rapid deployment of labor, equipment and materials, we are able to quickly and efficiently allocate resources to meet customer needs.

We have developed a marketing plan emphasizing the MasTec® registered service mark and tradenames of certain acquired companies, as well as an integrated service offering to position ourselves as a provider of a full range of service solutions, providing services ranging from basic installation to sophisticated engineering, design and integration. We believe our longstanding relationships with customers and our reputation for reliability and efficiency facilitate our recurring business. Our marketing efforts are principally carried out by the management of our business units and project groups in coordination with our corporate marketing organization. Our management team has many years of industry experience, both at the service provider level and in some cases with the customers we serve. Our business unit and project group managers market directly to existing and potential customers for new contracts and also seek our inclusion on lists of vendors invited to submit proposals for service agreements and individual projects. Our executive management supplements these efforts at the national level.

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Safety and Insurance/Risk Management

We strive to instill safe work habits in our employees, and we require that our employees participate in training programs relevant to their employment and complete all training programs required by law. We evaluate employees in part based upon their safety records and the safety records of the employees they supervise. We have established a company-wide safety program to share best practices and to monitor and improve compliance with safety procedures and regulations.

Our business involves the use of heavy equipment, and exposure to various workplace conditions that can be dangerous. While we are committed to operating safely and prudently, we are subject to claims by employees, customers and third parties for property damage and personal injuries that occur in connection with our work. We presently maintain insurance policies subject to per claim deductibles of $1 million for our workers' compensation policy, $2 million for our general liability policy and $2 million for our automobile liability policy. We have excess umbrella coverage of up to $100 million per claim and in the aggregate. We also maintain an insurance policy with respect to employee group health claims subject to annual per employee maximum losses of $0.4 million. See Item 1A. Risk Factors - "We are self-insured against many potential liabilities." We are required to post letters of credit and provide cash collateral to certain of our insurance carriers and to obtain surety bonds in certain states in which we are self-insured. Total outstanding letters of credit related to our insurance programs amounted to $53.2 million as of December 31, 2012. Cash collateral deposited with insurance carriers amounted to $2.0 million as of December 31, 2012. Outstanding surety bonds related to self-insurance programs amounted to $9.0 million as of December 31, 2012. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates – Self-Insurance."

Suppliers, Materials and Working Capital

Under many of our contracts, our customers provide the necessary materials and supplies for projects and we are responsible for the installation of, but not the cost or warranty of those materials. Under certain other projects, we purchase the necessary materials and supplies on behalf of our customers from third-party providers. We are not dependent on any one supplier for materials or supplies and have not experienced any significant difficulty in obtaining an adequate supply of materials and supplies.

We utilize independent contractors to assist on projects and to help us manage work flow. Our independent contractors are typically sole proprietorships or small business entities that provide their own vehicles, tools and insurance coverage. We are not dependent on any single independent contractor. We need working capital to support seasonal variations in our business, primarily due to the impact of weather conditions on external construction and maintenance work and the spending patterns of our customers, both of which influence the timing of associated spending to support related customer demand. A portion of working capital assets is typically converted to cash in the first quarter. Conversely, working capital needs generally increase from April through October due to the seasonality of our business. Our billing terms are generally net 30 days, although some contracts allow our customers to retain a portion (from 2% to 15%) of the contract amount until the job is completed. For certain customers, we maintain inventory to meet the material requirements of the contracts. Occasionally, certain of our customers pay us in advance for a portion of the materials we purchase for their projects, or allow us to pre-bill them for materials purchases up to a specified amount. Vendor terms are generally 30 days. Our agreements with subcontractors often contain a "pay-when-paid" provision, whereby we pay subcontractors under these agreements only after our customers pay us.

Competition

Our industry is highly competitive and highly fragmented. We often compete with a number of companies in the markets in which we operate, ranging from small local independent companies to large national firms. The national or large regional firms that compete with us include Quanta Services, Inc., MYR Group, Inc., Dycom Industries, Inc., Pike Electric, Inc., Willbros Group, Bechtel Corporation, D.H. Blattner & Sons, Inc. and M.A. Mortenson Company. Relatively few significant barriers to entry exist in the markets in which we operate, and, as a result, any organization that has adequate financial resources and access to technical expertise may become a competitor. Some of our customers employ personnel to perform infrastructure services of the type we provide. We compete based upon our industry experience, technical expertise, financial and operational resources, geographic presence, industry reputation and customer service. While we believe our customers consider a number of factors when selecting a service provider, most of their work is awarded through a bid process. Consequently, price is often a principal factor in determining which service provider is selected. See Item 1A. Risk Factors - “Our industry is highly competitive, which may reduce our market share and harm our financial performance.”

Regulation and Environmental Matters

We are subject to state and federal laws that apply to businesses generally, including laws and regulations related to labor relations, worker safety and environmental protection. While many of our customers operate in regulated industries (for example, utilities regulated by the public service commission or communications companies regulated by the Federal Communications Commission), we are not generally subject to such regulation and oversight.

As a contractor, our operations are subject to various laws, including:

- regulations related to vehicle registrations, including those of state and the United States Department of Transportation ("DOT");
- regulations related to worker safety and health, including those established by the Occupational Safety and Health Administration ("OSHA");
- contractor licensing requirements;
- permitting and inspection requirements; and

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- building and electrical codes.

We are also subject to numerous environmental laws governing our operations, including the handling, transportation and disposal of non-hazardous and hazardous substances and wastes, as well as emissions and discharges into the environment, including discharges into air, surface water and groundwater and soil. We also are subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, liabilities can be imposed for cleanup of properties, regardless of whether we directly caused the contamination or violated any law at the time of discharge or disposal. The presence of contamination from such substances or wastes could interfere with ongoing operations or adversely affect our business. In addition, we could be held liable for significant penalties and damages under certain environmental laws and regulations. For example,

- Some of the work we perform is in underground environments. If the field location maps supplied to us are not accurate, or if objects are present in the soil that are not indicated on the field location maps, our underground work could strike objects in the soil containing pollutants and result in a rupture and discharge of pollutants. In such a case, we may be liable for fines and damages.
- We sometimes perform directional drilling operations in certain environmentally sensitive terrains and water bodies. Due to the inconsistent nature of the terrain and water bodies, it is possible that such directional drilling may cause a surface fracture releasing subsurface materials. These releases may contain contaminants in excess of amounts permitted by law, potentially exposing us to remediation costs and fines.
- We own and lease several facilities at which we store our equipment. Some of these facilities contain fuel storage tanks which may be above or below ground. If these tanks were to leak, we could be responsible for the cost of remediation as well as potential fines.

We believe we have all licenses and permits needed to conduct operations and that we are in compliance with all material applicable regulatory requirements. However, if we fail to comply with any material applicable regulatory requirements, we could incur significant liabilities.

We offer services and are branded under the MasTec® service mark and other service marks.

Financial Information About Geographic Areas

We have operations in Canada as well as in parts of Latin America and the Caribbean. For the years ended December 31, 2012, 2011 and 2010, revenues from continuing operations of $156.8 million, $91.5 million and $0.2 million, respectively, were derived from foreign operations, and revenues of $3.6 billion, $2.7 billion and $2.1 billion, respectively, were derived in the United States. For the years ended December 31, 2012, 2011 and 2010, revenues within the results of operations from discontinued operations of $5.8 million, $12.4 million and $2.7 million respectively, were derived from foreign operations, with revenues of $73.1 million, $165.3 million and $162.3 million, respectively, derived in the United States. Long-lived assets held in foreign countries include property and equipment, net, of $12.9 million and $12.7 million as of December 31, 2012 and 2011, respectively, of which $1.5 million and $1.6 million, respectively, were classified within long-term assets of discontinued operations. Intangible assets and goodwill, net, of $30.5 million and $30.0 million as of December 31, 2012 and 2011, respectively were held in foreign countries, none of which was classified within long-term assets of discontinued operations.

Our business, financial condition and results of operations in foreign countries may be adversely affected by monetary and fiscal policies, currency fluctuations, energy shortages, regulatory requirements and other political, social and economic developments or instability. Refer to Item 1A - “Risk Factors” for additional information.

Employees

As of December 31, 2012, we had approximately 12,300 employees, approximately 800 of whom were represented by a union or were subject to collective bargaining agreements. These collective bargaining agreements require us to pay specified wages and provide certain benefits to these employees, including contributions to multi-employer pension plans and employee benefit trusts. The collective bargaining agreements expire at various times and have typically been renegotiated and renewed on terms that are similar to the ones contained in the expiring agreements. See Item 1A, Risk Factors - “Certain of our businesses have employees who are represented by a union or are subject to collective bargaining agreements; the unionized workforce and any related obligations could adversely affect our operations.”

We hire employees from a number of sources, including our industry, trade schools and colleges. Our primary sources for employees include promotion from within, team member referrals, print and internet advertising and direct recruiting. We attract and retain employees by offering technical training opportunities, bonus opportunities, stock ownership, competitive salaries and a comprehensive benefits package.

We believe that our focus on training and career development helps us to attract and retain employees. Our employees participate in ongoing educational programs, many of which are internally developed, to enhance their technical and management skills through classroom and field training. We provide opportunities for promotion and mobility within our organization, which we also believe helps us to retain our employees. We believe our relations with our employees are good.

Available Information

A copy of this Annual Report on Form 10-K, as well as our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 are available free of charge on the internet at our website, www.mastec.com, as soon as reasonably practicable after we electronically file these reports with, or furnish these reports to, the Securities and Exchange Commission, which we refer to as the SEC. Copies of our Board of Directors Governance Principles and Code of Business Conduct and Ethics, which applies to all directors and employees and includes a code of ethics for our CEO, CFO and other senior

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executives, and which expressly applies to our senior financial officers (including our principal executive officer, principal financial officer and our controller), and the charters for each of our Audit, Compensation and Nominating and Corporate Governance Committees are also available on our website in the Investor section under the tab “Corporate Governance,” or may be obtained by contacting our Vice President of Investor Relations by phone at (305) 406-1815, or by email at investor.relations@mastec.com. We intend to provide any amendments or waivers to our Code of Business Conduct and Ethics for any of our directors and senior officers on our website within four business days of any such amendment or waiver. The reference to our website address does not constitute incorporation by reference of the information contained on the website and such information is not part of this report. Our reports filed with the SEC may be read or copied at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the SEC’s Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Alternatively, you may access these reports at the SEC’s website at www.sec.gov.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below, together with all of the other information in this Annual Report on Form 10-K. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business. If any of these risks actually occur, our business, financial condition and results of operations could suffer, and the trading price of our common stock could decline.

Risks Related to Our Industry and Our Customers’ Industries

Economic downturns could reduce capital expenditures in the industries we serve, which may result in a decrease in demand for our services.

The demand for our services has been, and will likely continue to be, cyclical in nature and vulnerable to general downturns in the U.S. economy and the economies of other countries in which we operate . During economic downturns, our customers may not have the ability to fund capital expenditures for infrastructure, or may have difficulty obtaining financing for planned projects. This has, and may continue to result in, cancellations of projects or deferral of projects to a later date. Such cancellations or deferrals could result in decreased demand for our services and could materially adversely affect the results of our operations, cash flows and liquidity.

In addition, our customers are negatively affected by economic downturns that decrease the need for their services or the profitability of their services. Slow-downs in real estate, fluctuations in commodity prices and decreased demand by end-customers for services could affect our customers and their capital expenditure plans. Because we have previously been negatively impacted by economic downturns, we continually monitor our customers’ industries and their relative health compared to the economy as a whole. Reductions in new housing starts, for example, have negatively affected our customers who utilize our services to construct their “last mile” of communications infrastructure, and such reductions have also had negative impacts on other industries we serve, including electric utility transmission and grid connection and pipeline construction. Additionally, our customers who provide satellite and broadband communications to consumers across North America could be adversely impacted by an economic downturn if new subscriptions and upgrades for new and existing consumers are not ordered at the rate that our customers anticipate. During an economic downturn, our customers also may not have the ability or desire to continue to fund capital expenditures for infrastructure or may outsource less work. A decrease in any of these projects, new subscriptions or upgrades could negatively impact demand for the services we provide and could materially adversely affect our results of operations, cash flows and liquidity.

Demand for pipeline construction services depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil, natural gas and other fuel prices and the cost of energy infrastructure projects.

Demand for our pipeline construction services is particularly sensitive to the level of exploration, development, and production activity of, and the corresponding capital spending by, oil and natural gas companies. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of, and demand for, oil and natural gas, as well as market uncertainty and a variety of other factors that are beyond our control. Low prices for oil and natural gas generally depress levels of exploration, development and production activity, resulting in a corresponding decline in demand for pipeline construction services. Factors affecting the prices of oil and natural gas include:

- the levels of supply and demand for oil and natural gas, especially demand for natural gas in the United States;
- governmental regulations, including policies regarding the exploration, production and development of oil and natural gas reserves as well as environmental laws and initiatives to control global warming;
- global weather conditions and natural disasters;
- worldwide political, military, and economic conditions; the level of oil production by non-Organization of the Petroleum Exporting Countries ("OPEC") suppliers and available excess production capacity within OPEC;
- oil refining capacity and shifts in end-customer preferences toward fuel efficiency and the use of natural gas;
- the cost of producing and delivering oil and gas; and
- potential acceleration of development of alternative fuels.

Historically, the markets for oil and gas have been volatile and are likely to continue to be volatile. Spending on exploration and production activities by large oil and gas companies has a significant impact on the activity levels of pipeline construction services.

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In addition, demand for pipeline construction services may be affected by the costs of energy exploration and the construction of energy infrastructure projects. For example, while high oil and gas prices may increase oil and gas exploration and production and transportation activity, the associated increase in demand for equipment, materials and labor required for such exploration and activity may increase their costs and dampen demand for our services. Furthermore, increased costs for raw materials such as steel and other commodities may make some projects uneconomical despite robust oil and gas prices, thus reducing demand for our pipeline construction services. A decrease in demand for our pipeline construction services could materially and adversely affect our results of operations, cash flows and liquidity.

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

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

Most of our customers' work is awarded through a bid process. Consequently, price is often the principal factor that determines which service provider is selected, especially on smaller, less complex projects. Smaller competitors sometimes win bids for these projects based on price alone due to their lower costs and financial return requirements. If we are unsuccessful in bidding on these projects, or if our ability to win such projects requires that we accept lesser margins, our results of operations, cash flows and liquidity could be materially and adversely affected.

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

We derive, and anticipate that we will continue to derive, a substantial portion of our revenue from customers in the communications and utilities industries, which are subject to rapid changes in technology and governmental regulation. Changes in technology may reduce the demand for the services we provide. For example, new or developing telecommunications technologies could displace existing technologies, such as the wireline systems used for the transmission of voice, video and data. Furthermore, improvements in existing technologies could allow communications providers to significantly improve their networks without physically upgrading them. Technological advances may also result in lower costs for sources of energy, which may render existing renewable energy and natural gas projects and technologies uncompetitive or obsolete. Additionally, the communications and utilities industries have been characterized by a high level of consolidation that may result in the loss of one or more of our customers. Our failure to rapidly adopt and master new technologies as they are developed in any of the industries we serve or the consolidation of one or more of our significant customers could have a material adverse effect on our results of operations, cash flows and liquidity.

Risks Related to Our Business

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

For the year ended December 31, 2012, we derived approximately 18% and 17% of our revenue from continuing operations from AT&T and DIRECTV®, respectively. For the year ended December 31, 2011, we derived approximately 24%, 20% and 8% of our revenue from continuing operations from AT&T, DIRECTV® and El Paso Corporation, respectively, and for the year ended December 31, 2010, we derived approximately 22%, 20% and 9% of our revenue from continuing operations from AT&T, DIRECTV®, and El Paso Corporation, respectively. In addition, our ten largest customers accounted for approximately 64%, 71% and 72% of our revenue from continuing operations for the years ended December 31, 2012, 2011 and 2010, respectively. Because our business is concentrated among relatively few major customers, and certain of our services are provided on a non-recurring, project by project basis, our results of operations, cash flows and liquidity could be negatively affected if these customers reduce the amount of business they provide to us, or if we complete the required work on our projects for these customers and cannot replace them with similar projects. Approximately 57% of our revenue from continuing operations was derived from non-recurring project specific work for the year ended December 31, 2012, which may further increase this risk if we are not able to replace completed project work with new work. In addition, many of the contracts with our largest customers may be canceled on short or no advance notice. Any of these factors could negatively impact our results of operations, cash flows and liquidity.

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

Over 40% of our revenue from continuing operations is derived from multi-year master service agreements and other service agreements. Under our multi-year master service agreements and other service agreements, we contract to provide customers with individual project services, through work orders, within defined geographic areas on a fixed fee basis. Under these agreements, our customers have no obligation to undertake any infrastructure projects or other work with us. A significant decline in the projects customers assign us under these service agreements could negatively affect in our results of operations, cash flows and liquidity.

Most of our contracts may be canceled on short or no advance notice, which could reduce our revenue, and certain of our contracts with customers are subject to their ability to secure financing or other conditions and therefore may not result in revenues or profits.

Most of our contracts are cancelable on short or no advance notice, ranging from immediate cancellation to cancellation upon 180 days notice, even if we are not in default under the contract. Many of our contracts, including our service agreements, are periodically open to public bid. We may not be the successful bidder on our existing contracts that are re-bid. We also provide a significant portion of our services on a non-recurring, project-by-project basis. We could experience a reduction in our revenue, profitability and liquidity if:

- our customers cancel a significant number of contracts;

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

Additionally, from time to time, we enter into contracts that contain financing or other conditions, which must be satisfied before we may begin work; therefore, certain of these contracts may not result in revenues or profits if our customers are unable to obtain the associated financing or satisfy any other conditions associated with such projects are otherwise not met.

Amounts included in our backlog may not result in actual revenue or translate into profits. Our backlog is subject to cancellation and unexpected adjustments and therefore is an uncertain indicator of future operating results.

A significant portion of our 18-month backlog as of December 31, 2012 was composed of master service agreements and other service agreements, none of which require our customers to purchase a minimum amount of services and are cancelable on short or no advance notice. The balance of our backlog is our estimate of work to be completed on long-term installation/construction fixed price agreements. These backlog amounts are based on our estimates and therefore may not result in actual receipt of revenue in the originally anticipated period, or at all. In addition, contracts included in our backlog may not be profitable. We may experience variances in the realization of our backlog because of project delays or cancellations resulting from weather conditions, other project deferrals or delays, scope adjustments, external market factors and economic factors beyond our control. If our backlog fails to materialize, our results of operations, cash flows and liquidity would be materially and adversely affected. Accordingly, our backlog as of any particular date is an uncertain indicator of future earnings.

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

Some of our customers reduce their expenditures and work order requests towards the end of the calendar year. Adverse weather conditions, particularly during the winter season, also affect our ability to perform outdoor services in certain regions of North America. As a result, we generally experience reduced revenue in the first quarter of each calendar year. Natural catastrophes such as hurricanes or other severe weather could also have, and have had, a negative impact on the economy overall and on our ability to perform outdoor services in affected regions or utilize equipment and crews stationed in those regions, which could negatively affect our results of operations, cash flows and liquidity. For example, the northeastern United States was negatively affected by flooding in the second half of 2011. Heavy rains began in the summer, followed by additional rainfall from Hurricane Irene in August and Tropical Storm Lee in the third quarter of 2011, causing flooding conditions, which hurt productivity and profitability on certain of our pipeline projects in the Marcellus shale basin.

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

A significant portion of our revenue is derived from master service and other service agreements that are fixed price contracts. Under these contracts, we set the price of our services on a per unit or aggregate basis and assume the risk that costs associated with our performance may be greater than we anticipated. In addition to master or other service agreements, we enter into contracts for specific projects or jobs that may require the installation or construction of an entire infrastructure system or specified units within an infrastructure system. Under those agreements, we contractually agree to a price per unit. Profitability will be reduced if the actual costs to complete each unit exceed original estimates. We are also required to immediately recognize the full amount of any expected losses on these projects if estimated costs to complete the remaining units for the projects exceed the revenue to be earned on such units. Our profitability is therefore dependent upon our ability to accurately estimate the costs associated with our services. These costs may be affected by a variety of factors, such as lower than anticipated productivity, conditions at work sites differing materially from what was anticipated at the time we bid on the contract and higher costs of materials and labor. These variations, along with other risks inherent in performing fixed price contracts, may cause actual project revenue and profits to differ from original estimates, and as a result, certain agreements or projects could have lower margins than anticipated, or losses, if actual costs exceed our estimates, which could reduce our profitability, cash flows and liquidity.

We recognize revenue from installation/construction fixed price contracts using the percentage-of-completion method; therefore, variations of actual results from our assumptions may reduce our profitability.

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

Our failure to properly manage projects, or project delays, may result in additional costs or claims, which could have a material adverse effect on our operating results, cash flows and liquidity.

Certain of our engagements involve large-scale, complex projects. The quality of our performance on such a project depends in large part upon our ability to manage our client relationship and the project itself and to timely deploy appropriate resources, including third-party contractors and our own personnel. Our results of operations, cash flows and liquidity could be adversely affected if we miscalculate the resources or time needed to complete a project with capped or fixed fees, or the resources or time needed to meet contractual milestones. Additionally, delays on a particular project,

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including permitting delays, may cause us to incur costs for standby pay, and may lead to personnel shortages on other projects scheduled to commence at a later date. In addition, some of our agreements require that we share in cost overages or pay liquidated damages if we do not meet project deadlines; therefore, any failure to properly estimate or manage cost, or delay in completion of projects, could subject us to penalties, which could adversely affect our results of operations, cash flows and liquidity. Further, any defects or errors, or failures to meet our customers' expectations could result in large damage claims against us, and because of the substantial cost of, and potentially long lead-times necessary to acquire certain of the materials and equipment used in our complex projects, such as pipeline and power generation, including renewable energy, damage claims may substantially exceed the amount we can charge for our associated services.

Our business may be affected by difficult work sites and environments, which could cause delays and increase our costs.

We perform work under a variety of conditions, including, but not limited to, difficult and hard to reach terrain and difficult site conditions. Performing work under such conditions can result in project delays or cancellations, potentially causing us to incur additional, unanticipated costs, reductions in revenues or the payment of liquidated damages. In addition, some of our contracts require that we assume the risk should actual site conditions vary from those expected.

Some of our projects involve challenging engineering, procurement and construction phases that may occur over extended time periods, sometimes over several years. We may encounter difficulties in engineering, delays in designs or materials provided by the customer or a third party, equipment and material delivery delays, schedule changes, delays from customer failure to timely obtain rights-of-way, weather-related delays, delays by subcontractors in completing their portion of the project and other factors, some of which are beyond our control, but which impact our ability to complete a project as originally scheduled. In some cases, delays and additional costs may be substantial, and we may be required to cancel a project and/or compensate the customer for the delay. We may not be able to recover any of such costs. Any such delays or cancellations or errors or other failures to meet customer expectations could result in damage claims substantially in excess of the revenue associated with a project. Delays or cancellations could also negatively impact our reputation or relationships with our customers, which could adversely affect our ability to secure new contracts.

The impact of the American Recovery and Reinvestment Act of 2009 is uncertain.

The recent economic downturn, coupled with a lack of available capital, resulted in a tremendous amount of uncertainty, with numerous renewable energy projects being delayed or canceled. While the ARRA, which was enacted into law in February 2009, with many of its provisions extended by the ATRA, has likely provided some stimulus to certain of our customers and the demand for our services related to renewable energy, electrical transmission and rural broadband industries, the continuing and future impact of this stimulus legislation is uncertain and may be limited. Moreover, in light of the ongoing debate over federal budget and tax policies, the likelihood that ARRA will be further extended or enhanced cannot be predicted. Accordingly, we cannot predict the impact that this legislation will have on the demand for our services.

The renewable energy industry is heavily reliant on tax incentives, the availability of which may be uncertain and could adversely affect demand for our services.

Because the unsubsidized cost of electric power from renewable resources such as wind and solar often exceeds that of fossil fuel and nuclear generating facilities, the renewable energy industry is heavily reliant on tax incentives. These tax incentives effectively reduce the market price for renewable energy, making these facilities more economic to construct and spur investment in them. These tax incentives, however, such as those provided by the ARRA, as extended by the ATRA, have a finite duration. The finite duration of these tax incentives creates uncertainty for the developers of renewable energy facilities and may adversely affect investment in them and, accordingly, the demand for our services.

For example, the current election to claim the investment tax credit in lieu of the production tax credit is available only for qualified wind facilities on which construction has commenced prior to January 1, 2014; the U.S. Treasury Section 1603 grant program for wind and solar projects applied only to facilities placed in service in 2010 or 2011 (or after 2011 as long as construction began in 2010 or 2011 and is completed before the termination date of the credit otherwise available for the property) and has not been extended by Congress. Additionally, the investment tax credit for qualified solar projects will only be available for projects placed in service prior to January 1, 2017.

The current election to claim the the investment tax credit in lieu of the production tax credit is available only for qualified wind facilities on which construction has commenced prior to January 1, 2014. In addition, the production tax credit is scheduled to expire for wind energy facilities on which construction has not commenced prior to January 1, 2014 and will not be available for energy generated from wind facilities on which construction is commenced after that date, unless the credit program is extended or renewed. Whether the investment tax credit or the expired Section 1603 U.S. Treasury grant program will be effective for wind, solar or other renewable energy projects is uncertain, as are any future efforts to extend or renew the production tax credit, the investment tax credit, and/or the Section 1603 U.S. Treasury grant program. Furthermore, the provisions regarding any extension or renewal may not be as favorable as those that currently exist. In addition, we cannot assure you that any extension or renewal of the production tax credit, the investment tax credit, and/or the U.S. Treasury grant program would be enacted prior to its expiration or, if allowed to expire, that any extension or renewal enacted thereafter would be enacted with retroactive effect.

We also cannot assure you that the tax laws providing for accelerated and bonus depreciation with respect to wind or solar energy generation assets will not be modified, amended or repealed in the future. If the investment tax credit or the U.S. Treasury grant program are not effective or if the federal production tax credit is not extended or renewed, or is extended or renewed at a lower rate, these generating facilities may be less profitable to build and operate and the ability of our customers to obtain financing for these projects may be impaired or eliminated. As a result, our revenue and results of operations could be materially adversely affected if demand for our services or the tax incentives were reduced.

Changes to renewable portfolio standards could, and decreased demand for renewable energy projects would, negatively impact our results of operations, cash flows and liquidity.

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A portion of our business provides construction and/or installation services to owners and operators of wind power, solar power and other renewable energy facilities. The development of wind, solar and other renewable energy facilities is highly dependent upon federal production tax credits, such as those associated with the ARRA, many of which will expire unless construction is commenced on renewable energy facilities prior to January 1, 2014, and the existence of renewable portfolio standards and other state incentives. Renewable portfolio standards are state specific statutory provisions requiring that electric utilities generate a certain amount of electricity from renewable energy sources or devote a certain portion of operational/development capacity to renewable energy sources. Additionally, certified renewable energy generators earn certificates for every unit of electricity they produce and can sell these along with their electricity to supply companies. These standards have spurred growth in the wind and renewable energy industry and a corresponding increase in demand for renewable energy infrastructure construction services. Currently, approximately 35 states as well as the District of Columbia and Puerto Rico have adopted renewable portfolio standards or goals. Elimination of, or changes to, existing renewable portfolio standards or similar environmental policies may negatively affect demand for our services.

Additionally, renewable energy is generally more expensive to produce and may require additional power generation sources as backup. The locations of renewable energy projects are often remote and are not viable unless connectivity to the grid to transport the power to demand centers is economically feasible. Furthermore, funding for renewable energy initiatives may not be available. These factors could result in fewer renewable energy projects than anticipated or a delay in the timing of construction of these projects and the related infrastructure, which would negatively affect demand for our services.

Legislative actions and incentives relating to electric power and renewable energy may fail to result in increased demand for our services.

While we believe the Energy Policy Act of 2005 (the “Energy Act”) will provide opportunities in the industries we serve, implementation of the Energy Act is still subject to considerable fiscal and regulatory uncertainty. Regulations implementing the components of the Energy Act that may affect demand for our services remain, in some cases, subject to review in various federal courts. In one such case, decided in February 2009, a federal court of appeals vacated the Federal Energy Regulatory Commission ("FERC") interpretation of the scope of its backstop siting authority. Accordingly, the effect of these regulations, once finally implemented, is uncertain. As a result, the Energy Act may not result in increased spending on electric power transmission infrastructure. Continued uncertainty regarding the implementation of the Energy Act may result in slower than anticipated growth in demand for our services.

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

Many of our communications customers are regulated by the Federal Communications Commission ("FCC"), and our energy customers are regulated by FERC. In addition, our utility customers are regulated by state public utility commissions. These agencies could change the way in which they interpret the application of their current regulations and may impose additional regulations. Interpretative changes or new regulations that have an adverse affect on our customers and the profitability of the services they provide, could reduce demand for our specialty contracting services, which could adversely affect out results of operations, cash flows and liquidity.

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

Some of our contracts require performance and payment bonds. If our business continues to grow, our bonding requirements may increase. If we are not able to renew or obtain a sufficient level of bonding capacity in the future, we may be precluded from being able to bid for certain contracts or successfully contract with certain customers. In addition, even if we are able to successfully renew or obtain performance or payment bonds, we may be required to post letters of credit in connection with the bonds, which would reduce availability under our credit facility.

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

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

We are self-insured against many potential liabilities.

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

Warranty claims resulting from our services could have a material adverse effect on our business.

We generally warrant the work we perform for a one to two-year period following substantial completion of a project, subject to further extensions of the warranty period following repairs or replacements. We have not historically accrued reserves for potential warranty claims as they have been immaterial, but such claims could potentially increase. The costs associated with such warranties, including any warranty related legal proceedings, could have a material adverse effect on our results of operations, cash flows and liquidity.

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

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

We own and lease several facilities at which we store our equipment. Some of these facilities contain fuel storage tanks which may be above or below ground. If these tanks were to leak, we could be responsible for the cost of remediation as well as potential fines. Additionally, we sometimes perform directional drilling operations below certain environmentally sensitive terrains and water bodies. Due to the inconsistent nature of the terrain and water bodies, it is possible that such directional drilling may cause a surface fracture releasing subsurface materials. These releases may contain contaminants in excess of amounts permitted by law, potentially exposing us to remediation costs and fines. In addition, new environmental laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or leaks, or the imposition of new clean-up requirements could require us to incur significant costs or become the basis for new or increased liabilities that could have a material negative impact on our results of operations, cash flows and liquidity.

Our operations may impact the environment or cause exposure to hazardous substances, and our properties may have environmental contamination, which could result in material liabilities.

Our operations are subject to various environmental laws and regulations, including those dealing with the handling and disposal of waste products, polychlorinated biphenyls (“PCBs”), fuel storage and air quality. Certain of our current and historical construction operations have used hazardous materials and, to the extent that such materials are not properly stored, contained or recycled, they could become hazardous waste. Additionally, some of our contracts require that we assume the environmental risk of site conditions and require that we indemnify our customers for any damages, including environmental damages, incurred in connection with our projects. We may be subject to claims under various environmental laws and regulations, federal and state statutes and/or common law doctrines for toxic torts and other damages, as well as for natural resource damages and the investigation and clean up of soil, surface water, groundwater, and other media under laws such as the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). Such claims may arise, for example, out of current or former conditions at project sites, current or former properties owned or leased by us, and contaminated sites that have always been owned or operated by third parties. Liability may be imposed without regard to fault and may be strict and joint and several, such that we may be held responsible for more than our share of any contamination or other damages, or even for the entire share, and may be unable to obtain reimbursement from the parties causing the contamination.

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

Construction projects undertaken by us expose our employees to electrical lines, pipelines carrying potentially explosive materials, heavy equipment, mechanical failures, transportation accidents, adverse weather conditions and the risk of damage to equipment and property. These hazards can cause personal injuries and loss of life, severe damage to or destruction of property and equipment and other consequential damages and could lead to suspension of operations and large damage claims which could, in some cases, substantially exceed the amount we charge for the associated services. In addition, if serious accidents or fatalities occur, or our safety records were to deteriorate, we may be restricted from bidding on certain work and obtaining other new contracts and certain existing contracts could be terminated. Our safety processes and procedures are monitored by various agencies and rating bureaus. See Risk Factors – “Our failure to comply with the regulations of the U.S. Occupational Safety and Health Administration, the U.S. Department of Transportation and other state and local agencies that oversee transportation and safety compliance could reduce our revenue, profitability and liquidity.” The occurrence of accidents in our business could result in significant liabilities, employee turnover, increase the costs of our projects, or harm our ability to perform

under our contracts or enter into new contracts with customers, which could materially reduce our revenue, profitability and liquidity.
Our failure to comply with the regulations of the U.S. Occupational Safety and Health Administration, the U.S. Department of Transportation and other state and local agencies that oversee transportation and safety compliance could reduce our revenue, profitability and liquidity.
The Occupational Safety and Health Act of 1970, as amended, establishes certain employer responsibilities, including maintenance of a workplace free of recognized hazards likely to cause death or serious injury, compliance with standards promulgated by OSHA and various recordkeeping, disclosure and procedural requirements. Various standards, including standards for notices of hazards and safety in excavation and demolition work may apply to our operations. We have incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of business in complying with OSHA and other state and local laws and regulations, and could incur penalties and fines in the future, including in extreme cases, criminal sanctions.
While we have invested, and will continue to invest, substantial resources in occupational health and safety programs, our industry involves a high degree of operational risk, and there can be no assurance that we will avoid significant liability. Although we have taken what we have believed to be appropriate precautions, we have had employee injuries and fatalities in the past and may suffer additional injuries or fatalities in the future. Serious accidents of this nature may subject us to substantial penalties, civil litigation or criminal prosecution. Personal injury claims for damages, including for bodily injury or loss of life, could result in substantial costs and liabilities, which could materially and adversely affect our financial condition, results of operations or cash flows. In addition, if our safety record were to deteriorate, or if we suffered substantial penalties or criminal prosecution for violation of health and safety regulations, customers could cancel existing contracts and not award future business to us, which could materially adversely affect our liquidity, cash flows and results of operations.

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We have, from time to time, received notice from the DOT that our motor carrier operations will be monitored and that the failure to improve our safety performance could result in suspension or revocation of vehicle registration privileges. If we were not able to successfully resolve such issues, our ability to service our customers could be damaged, which could lead to a material adverse effect on our results of operations, cash flows and liquidity.

Risks associated with operating in international markets could restrict our ability to expand globally and harm our business and prospects, and we could be adversely affected by our failure to comply with the laws applicable to our foreign activities, including the U.S. Foreign Corrupt Practices Act and other similar anti-bribery laws.

We derived 4% of our revenue from continuing operations from international markets for the year ended December 31, 2012, and we may further expand the volume of services we provide internationally. Our international operations are presently conducted primarily in Canada, Latin America and the Caribbean, but we have performed work in various other foreign countries, and revenues derived from, or the number of countries in which we operate, could expand over the next few years. Economic conditions, including those resulting from wars, civil unrest, acts of terrorism and other conflicts, or volatility in the global markets may adversely affect our customers, their demand for our services and their ability to pay for our services. In addition, there are numerous risks inherent in conducting our business internationally, including, but not limited to, potential instability in international markets, changes in regulatory requirements applicable to international operations, foreign currency fluctuations, exchange controls and other limits on our ability to repatriate earnings, political, economic and social conditions in foreign countries and complex U.S. and foreign laws and treaties, including tax laws and the U.S. Foreign Corrupt Practices Act (the "FCPA"). These risks could restrict our ability to provide services to international customers or to operate our international business profitably, and our overall business and results of operations could be negatively affected by our foreign activities.

The FCPA and similar anti-bribery laws in other jurisdictions prohibit U.S.-based companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. We pursue opportunities in certain parts of the world that experience government corruption to some degree, and, in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. Our policies mandate compliance with these anti-bribery laws. Further, we require our subcontractors, agents and others who work for us or on our behalf to comply with the FCPA and other anti-bribery laws. Although we have policies and procedures designed to ensure that we, our employees and our agents comply with the FCPA and other anti-bribery laws, there is no assurance that such policies or procedures will protect us against liability under the FCPA or other laws for actions taken by our agents, employees and intermediaries. If we are found to be liable for FCPA violations (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we could incur severe criminal or civil penalties or other sanctions, which could have a material adverse effect on our reputation, business, results of operations or cash flows. In addition, detecting, investigating, and resolving actual or alleged FCPA violations is expensive and can consume significant time and attention of our senior management.

Our subcontractors may fail to satisfy their obligations to us or other parties, or we may be unable to maintain these relationships, either of which may have a material adverse effect on our results of operations, cash flows and liquidity.

We depend on subcontractors to complete certain work on some of our projects. There is a risk that we may have disputes with subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractors, customer concerns about the subcontractors or our failure to extend existing task orders or issue new task orders under a subcontract. In addition, if any of our subcontractors fail to deliver on a timely basis the agreed-upon supplies and/or perform the agreed-upon services, then our ability to fulfill our obligations as a prime contractor may be jeopardized. In addition, the absence of qualified subcontractors with whom we have a satisfactory relationships could adversely affect the quality of our service and our ability to perform under some of our contracts. Any of these factors may have a material adverse effect on our results of operations, cash flows and liquidity.

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

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

experience a material decrease in profitability and liquidity.
Increases in the costs of fuel could reduce our operating margins.
The price of fuel needed to run our vehicles and equipment is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the OPEC and other oil and gas producers, war and unrest in oil producing countries, regional production patterns and environmental concerns. Because most of our contracts do not allow us to adjust our pricing, any increase in fuel costs could materially reduce our profitability and liquidity.
Our profitability and liquidity could decline if certain customers reduce the amounts they pay for our services or if our customers are unable to pay for our services.
In the past, we incurred significant losses after a number of customers filed for bankruptcy or experienced financial difficulties following a general economic downturn, in which certain industry factors worsened the impact of the overall economic downturn on those customers. In 2012, we recorded $6.9 million of provisions for bad debts, and as of December 31, 2012, our allowance for uncollectible accounts totaled $11.2 million. As of December 31, 2012, we had $2.6 million of receivables from customers undergoing bankruptcy reorganization, and we could experience losses if such customers are unable to pay us for our services.
Our financial results are based, in part, upon estimates and assumptions that may differ from actual results.
In preparing our consolidated financial statements in conformity with accounting principles generally accepted in the United States (“U.S.

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GAAP"), a number of estimates and assumptions are made by management that affect the amounts reported in the consolidated financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of our consolidated financial statements is either dependent on future events or cannot be calculated with a high degree of precision from data available. In some cases, these estimates are particularly uncertain and we must exercise significant judgment. Estimates are primarily used in: our assessment of revenue recognition, in particular on long-term construction contracts, including estimates to complete and provisions for contract losses; allowances for doubtful accounts; accrued self-insured claims; estimated fair values of goodwill and intangible assets, acquisition-related contingent consideration, investments in equity method investees, assets and liabilities classified as held for sale, available for sale securities and certain convertible debt obligations; asset lives used in computing depreciation and amortization, including amortization of intangible assets; other reserves and accruals; impairment of assets; income taxes; and litigation and contingencies. Actual results could differ materially from the estimates and assumptions that we use, which could have a material adverse effect on our results of operations, cash flows and liquidity.

We may incur goodwill impairment charges, which could harm our profitability.

When we acquire a business, we record goodwill equal to the excess amount we pay for the business, including anticipated future liabilities and liabilities assumed, over the fair value of the acquired tangible and intangible assets of that business. As a result of our acquisitions, we have $957.4 million of goodwill and identifiable intangible assets recorded as of December 31, 2012. We expect to continue to record additions to goodwill in future periods in connection with completed acquisitions, including goodwill resulting from future earn-out payments for acquisitions that closed prior to January 1, 2009, in accordance with U.S. GAAP for such acquisitions.

We periodically review the carrying values of our goodwill and indefinite-lived intangible assets to determine whether such carrying values exceed their fair market values. We may incur impairment charges related to goodwill or indefinite-lived intangible assets in connection with any of our acquisitions in the future if the markets they serve or their businesses deteriorate. For the year ended December 31, 2012, we recorded $6.4 million of goodwill impairment charges in connection with our decision to sell the Globetec business. See Note 4 – Discontinued Operations and Note 5 – Goodwill and Other Intangible Assets in the notes to the audited consolidated financial statements contained in this Annual Report on Form 10-K.

We may incur restructuring or impairment charges, which could reduce our profitability.

From time to time, we review our operations in an effort to improve profitability. We could incur charges in the future as a result of:

- eliminating service offerings that no longer fit into our business plan;
- reducing or eliminating services or operations that do not produce adequate revenues or margins;
- reducing costs of reporting units that need margin improvements; and
- reviewing new business opportunities capable of utilizing our existing human and physical resources.

Any charges related to restructuring or impairment would be reflected as operating expenses and could materially reduce our profitability and liquidity. For the year ended December 31, 2012, we recorded $12.7 million of impairment charges, including $6.4 million of goodwill impairment, in connection with our decision to sell the Globetec business. See Note 4 – Discontinued Operations in the notes to the audited consolidated financial statements contained in this Annual Report on Form 10-K.

Certain of our businesses have employees who are represented by a union or are subject to collective bargaining agreements; the unionized workforce and any related obligations could adversely affect our operations.

Certain of our employees are represented by labor unions and collective bargaining agreements. Although all such collective bargaining agreements prohibit strikes and work stoppages, we cannot be certain that strikes or work stoppages will not occur despite the terms of these agreements. Strikes or work stoppages would adversely impact relationships with our customers and could cause us to lose business and decrease our revenue. Additionally, as current agreements expire, the labor unions may not be able to negotiate extensions or replacements on terms favorable to their members, or at all, or avoid strikes, lockouts or other labor actions from time to time that may affect their members. Therefore, it cannot be assured that new agreements will be reached with employee labor unions as existing contracts expire, or on terms that we find desirable. Any labor action against us relating to failure to reach an agreement with employee labor unions could have a material adverse effect on our liquidity, cash flows and results of operations.

Our participation in multi-employer pension plans may subject us to liabilities that could materially adversely affect our liquidity, cash flows and results of operations.

Substantially all of our union and collective bargaining agreements require us to participate with other companies in multi-employer pension plans. To the extent that those plans are underfunded defined benefit plans, the Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980 (“ERISA”), may subject us to substantial liabilities if we withdraw from such multi-employer plans or if they are terminated. Under current law regarding multi-employer defined benefit plans, a plan’s termination, an employer’s voluntary partial or complete withdrawal from, or the mass withdrawal of all contributing employers from, an underfunded multi-employer defined benefit plan requires participating employers to make payments to the plan for their proportionate share of the multi-employer plan’s unfunded vested liabilities. Furthermore, the Pension Protection Act of 2006 added new funding rules generally applicable to plan years beginning after 2007 for multi-employer plans that are classified as “endangered,” “seriously endangered,” or “critical” status. If plans in which we participate are in critical status, benefit reductions may apply and/or we could be required to make additional contributions, which could materially adversely affect our liquidity, cash flows and results of operations.

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Based upon the information available to us from plan administrators as of December 31, 2012, several of the multi-employer pension plans in which we participate are underfunded. The Pension Protection Act requires that underfunded pension plans improve their funding ratios within prescribed intervals based on the level of their underfunding. In addition, if a multi-employer defined benefit plan fails to satisfy certain minimum funding requirements, the Internal Revenue Service may impose a nondeductible excise tax of 5% on the amount of the accumulated funding deficiency for those employers contributing to the fund. We have been notified that certain plans to which our subsidiaries contribute are in “critical” status and require additional contributions in the form of a surcharge on future benefit contributions required for future work performed by union employees covered by these plans. As a result, we expect our required contributions to these plans to increase in the future. The amount of additional funds we may be obligated to contribute in the future cannot be estimated, as such amounts will be based on future levels of work that require the specific use of the union employees covered by these plans, investment returns and the level of underfunding of such plans.

On November 15, 2011, we, along with other members of the Pipe Line Contractors Association (“PLCA”), voluntarily withdrew from the Central States Southeast and Southwest Areas Pension Fund (“Central States”), a defined benefit multi-employer pension plan. In connection with this withdrawal, we recorded a withdrawal liability of $6.4 million within costs of revenue, excluding depreciation and amortization. We withdrew from the Central States plan in order to mitigate our liability in connection with the plan, which is in critical status. The plan, however, has asserted that the PLCA members did not effect a withdrawal on November 15, 2011, although we believe that a legally effective withdrawal occurred as of this date and have recorded our withdrawal liability on this basis. If the plan were to prevail in its assertion and our withdrawal was deemed to have occurred after this date, however, the amount of our withdrawal liability would be expected to increase. In addition, if this plan were to undergo a mass withdrawal, as defined by ERISA and the Pension Benefit Guaranty Corporation, within the three year period commencing with the beginning of the calendar year from the point of our withdrawal, we could have additional liability.

Withdrawal liabilities, requirements to pay increased contributions, and/or excise taxes in connection with any of the multi-employer pension plans in which we participate could negatively impact our liquidity and results of operations. See Note 13 – Other Retirement Plans in the notes to the audited consolidated financial statements contained in this Annual Report on Form 10-K.

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

Our business is labor intensive, and some of our operations experience a high rate of employee turnover. In addition, given the nature of the highly specialized work we perform, many of our employees are trained in and possess specialized technical skills. At times of low unemployment rates in the areas we serve, it can be difficult for us to find qualified and affordable personnel. We may be unable to hire and retain a sufficiently skilled labor force necessary to support our operating requirements and growth strategy. Our labor expenses may increase as a result of a shortage in the supply of skilled personnel. We may also be forced to incur significant training expenses if we are unable to hire employees with the requisite skills. Additionally, our business is managed by a number of key executive and operational officers and is dependent upon retaining and recruiting qualified management. Labor shortages, increased labor or training costs, or the loss of key personnel could materially adversely affect our results of operations, cash flows and liquidity.

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

As of December 31, 2012, we had $365.0 million aggregate principal amount outstanding on our senior notes due 2017 and our senior convertible notes due 2014. We also have a revolving credit facility with $134.0 million outstanding as of December 31, 2012. Availability under our credit facility as of December 31, 2012 was approximately $345.2 million, net of outstanding letters of credit aggregating $120.8 million.

The terms of our indebtedness contain customary events of default and covenants that prohibit us from taking certain actions without satisfying certain financial tests or obtaining the consent of the lenders. The prohibited actions include, among other things:

- buying back shares in excess of specified amounts;
- making investments and acquisitions in excess of specified amounts;
- incurring additional indebtedness in excess of specified amounts;
- paying cash dividends;
- creating certain liens against our assets;
- prepaying subordinated indebtedness;
- engaging in certain mergers or combinations; and
- engaging in transactions that would result in a “change of control” (as defined in the credit facility and the indentures governing our senior notes).

Additionally, certain provisions of our convertible notes could make it more expensive for a third party to acquire us or require us to repurchase the convertible notes for cash when required by the holders, including following a “fundamental change” (as defined in the indenture).

Our credit facility requires that we comply with a consolidated leverage ratio and a consolidated interest coverage ratio. Should we be unable to comply with the terms and covenants of our credit facility, we would be required to obtain further modifications of the facility or secure another

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source of financing to continue to operate our business, neither of which may be available to us on reasonable terms or at all. A default could also result in the acceleration of our obligations under the credit facility or under the indentures relating to our senior notes. In addition, these covenants may prevent us from engaging in transactions that benefit us, including responding to changing business and economic conditions or securing additional financing, if needed. Our business is capital intensive and, to the extent we need additional financing, we may not be able to obtain such financing at all or on favorable terms, which may materially decrease our profitability, cash flows and liquidity.

Our inability to enforce non-competition agreements with former principals and key management of the businesses we acquire may adversely affect our operating results, cash flows and liquidity.

In connection with our acquisitions, we generally require that key management and the former principals of the businesses we acquire enter into non-competition agreements in our favor. Enforceability of these non-competition agreements varies from state to state, and state courts will generally examine all of the facts and circumstances at the time a party seeks to enforce a non-competition agreement; consequently, we cannot predict with certainty whether, if challenged, a court will enforce any particular non-competition agreement. If one or more former principals or members of key management of the businesses we acquire leave and the courts refuse to enforce the non-compete agreement entered into by such person or persons, we might be subject to increased competition, which could materially and adversely affect our operating results, cash flows and liquidity.

Acquisitions involve risks that could negatively affect our operating results, cash flows and liquidity.

We have made, and in the future may continue to make strategic acquisitions and investments. However, we may not be able to identify suitable acquisition or strategic investment opportunities, or may be unable to obtain any required consent of our lenders and therefore may not be able to complete such acquisitions or strategic investments. We may pay for acquisitions or strategic investments with our common stock or with convertible securities, which may dilute your investment in our common stock, or we may decide to pursue acquisitions with which our investors may not agree. In connection with most of our acquisitions, we have agreed to substantial earn-out arrangements. To the extent we defer the payment of the purchase price for any acquisition through a cash earn-out arrangement, it will reduce our cash flows in subsequent periods. In addition, acquisitions may expose us to operational challenges and risks, including:

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

In addition, acquired companies may have liabilities that we failed, or were unable, to discover in the course of performing due diligence investigations. We cannot assure you that the indemnification granted to us by sellers of acquired companies will be sufficient in amount, scope or duration to fully offset the possible liabilities associated with businesses or properties we assume upon consummation of an acquisition. We may learn additional information about our acquired businesses that materially adversely affect us, such as unknown or contingent liabilities and liabilities related to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business.

Failure to successfully manage the operational challenges and risks associated with, or resulting from, acquisitions could adversely affect our results of operations, cash flows and liquidity. Borrowings or issuances of convertible debt associated with these acquisitions may also result in higher levels of indebtedness which could impact our ability to service our debt within the scheduled repayment terms.

Claims, lawsuits and proceedings could reduce our profitability, cash flows and liquidity.

We are subject to various claims, lawsuits and proceedings which arise in the ordinary course of business. These actions may seek, among other things, compensation for alleged personal injury, workers' compensation, employment discrimination, breach of contract, property damage, punitive damages, civil penalties or other losses, consequential damages, or injunctive or declaratory relief. In addition, pursuant to our service agreements, we generally indemnify our customers for claims related to the services we provide. Claimants may seek large damage awards and defending claims can involve significant costs. When appropriate, we establish reserves against these items that we believe to be adequate in light of current information, legal advice and professional indemnity insurance coverage, and we adjust such reserves from time to time according to case developments. For example, during the third quarter of 2012, we recorded a $9.6 million legal settlement reserve in connection with the Sintel legal matter. See Note 17 – Commitments and Contingencies in the notes to the audited consolidated financial statements contained in this Annual Report on Form 10-K. If our legal reserves are inadequate, or if in the future our insurance coverage proves to be inadequate or unavailable, or if there is an increase in liabilities for which we self-insure, we could experience a reduction in our profitability and liquidity. An adverse determination on any such claim, lawsuit or proceeding could have a material adverse effect on our business, financial condition or results of operations. In addition, claims, lawsuits and proceedings may harm our reputation or divert management resources away from operating our business.

We have recorded unrealized losses to reduce the carrying value of certain auction rate securities we hold, and may incur additional impairment charges with respect to auction rate securities in future periods.

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The continuing illiquidity of the auction rate securities market may affect our ability to liquidate certain auction rate securities that we classify as securities available for sale on our balance sheet. Our securities available for sale consist of auction rate securities, which represent interests in pools of student loans guaranteed by the U.S. government under the Federal Family Education Loan Program and a structured finance security. The structured finance security has an attached credit default swap under which the principal value of the structured finance security would be partially or fully forfeited at net default rates on the underlying corporate debt obligations ranging from 8% to 9%. The net default rate as of December 31, 2012 was estimated at 6.22%. Both the structured finance security and the credit default swap are collateralized by investment grade credit-linked notes made up of floating rate international bank notes. All of our securities available for sale as of December 31, 2012, with a par value of $17.9 million and an estimated fair value and carrying amount of $14.4 million, had insufficient bidders at the scheduled rollover dates, indicating that immediate liquidity at par was unavailable. As of December 31, 2012, cumulative credit and other losses of $3.3 million have been recognized in connection with our structured finance security. Cumulative unrealized losses associated with our student loan auction rate securities totaled $1.2 million as of December 31, 2012.

Our valuation of these securities is sensitive to market conditions and management's judgment and can change significantly based on the assumptions used. Factors that may impact our valuation include changes to credit ratings of the applicable securities, and for structured finance security, changes to the credit ratings of the underlying assets supporting the security as well as rates of default of the underlying assets, underlying collateral values, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity. We are uncertain as to when and if liquidity associated with these investments will improve, whether we will be able to exit these investments at their respective cost bases, or whether we will incur additional temporary or other-than-temporary losses as a result of these investments. As a result of this uncertainty, our auction rate securities are classified as long-term assets.

We have agreed to keep certain liabilities related to the state Department of Transportation related projects and assets that were sold in February 2007.

Effective February 1, 2007, we sold our state Department of Transportation related projects and assets. On January 24, 2008, we entered into a settlement agreement with the buyer of our state Department of Transportation projects and assets to settle previously disclosed warranty, indemnification and other claims primarily relating to work we had performed on the state Department of Transportation projects we sold. In connection with the settlement agreement, the parties also agreed to further amend and restate the Amended Asset Purchase Agreement effective as of January 24, 2008, which we refer to as the "Revised Amended Agreement." In connection with the sale of our state Department of Transportation related projects and assets and the related settlement, we agreed to keep certain liabilities, mainly related to the cost to maintain and continue certain performance and payment bonds, certain obligations under leases between the parties and certain other litigation matters. We may also be unable to recover any losses we incur as a result of any third party claims to the extent any third parties seek payment from us directly and we are unable to recover such losses from the buyer pursuant to the indemnification obligations contained in the Revised Amended Agreement, including any losses resulting from creditor claims, in the event the buyer was financially unable to meet certain obligations.

Under the terms of the Revised Amended Agreement, the buyer is no longer required to issue a standby letter of credit in our favor to cover any remaining exposure related to our bonded obligations. Instead, pursuant to the terms of the settlement agreement, the buyer entered into indemnity agreements directly with certain surety bonding companies in connection with our bonded obligations. Therefore, if the buyer is unable to meet its contractual obligations, the surety bonding company can seek its remedies under the indemnity agreement. If the surety bonding company, however, pays the amounts due under the bonds, the surety bonding company will seek reimbursement of such payment from us. Accordingly, we may incur losses in the future related to these contingent liabilities if the buyer does not complete the bonded contracts and we are unable to recover such losses from the buyer pursuant to the indemnification provisions contained in the Revised Amended Agreement. The buyer of the Department of Transportation related projects and assets filed for bankruptcy protection in October 2009, which increased the likelihood that we could be required to assume certain obligations associated with these projects. As of December 31, 2012, we have completed the work associated with these projects and do not believe we have any further obligations thereunder. Should additional costs arise, we could incur future losses which could adversely affect our results of operations, cash flows

and liquidity.
Risks Related to Our Company and Our Common Stock
We have a significant amount of debt. Our substantial indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations.
We have a significant amount of debt and substantial debt service requirements. As of December 31, 2012, we had approximately $598.9 million aggregate principal amount of outstanding debt.
This level of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations;
- our failing to comply with the financial and other restrictive covenants contained in our debt agreements, which could trigger an event of default that results in all of our debt becoming immediately due and payable;
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions or strategic investments and other general corporate requirements, and limiting our ability to obtain additional financing for these purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our credit facility;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to changes in our business, the industry in which

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we operate and the general economy; and

- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.
- preventing us from paying dividends;

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations.

Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our credit facility or otherwise, in an amount sufficient to enable us to meet our payment obligations and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital, and some of these activities may be on terms that are unfavorable or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations.

Conversions of our senior convertible notes that we issued in January 2011, which we refer to as our new senior convertible notes, may be settled in cash. Currently, we intend to settle the principal amounts of our new senior convertible notes upon any conversion thereof in cash. As of December 31, 2012, there was outstanding $202.3 million aggregate principal amount of our new senior convertible notes. Notwithstanding our present intention to settle conversions of our new senior convertible notes in cash, we cannot assure you that we will be able to do so due to provisions in our credit facility, which restrict the repurchase or prepayment of certain unsecured indebtedness, including our senior notes due 2017 and all of senior convertible notes due 2014, unless we have at least $50 million of remaining liquidity (as defined in the credit facility) after any such repurchase or prepayment. If we were required to settle conversions of our new senior convertible notes in accordance with our stated intent to settle principal amounts due in cash, and we were unable to do so with existing cash balances or through our credit facility, we could be required to obtain additional funding or settle such conversions in shares of our common stock, which would be dilutive to our existing shareholders. We cannot be certain that such funding would be available on terms acceptable to us, or at all.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock. In connection with certain completed acquisitions and financing transactions, we have issued shares of our common stock or securities that are convertible into shares of our common stock, and in addition, we have the option to issue shares of our common stock instead of cash as consideration for future earn-out obligations. We may agree to issue additional securities in connection with other future acquisition or financing transactions; which, if issued, would dilute your share ownership and could lead to volatility in our common stock price.

We grow our business organically as well as through acquisitions. One method of acquiring companies or otherwise funding our corporate activities is through the issuance of additional equity securities. In connection with certain completed acquisitions, we have the option to issue shares of our common stock instead of paying cash for certain earn-out obligations. Such issuances could have the effect of diluting our earnings per share as well as our existing shareholders' individual ownership percentages and could lead to volatility in our common stock price. Our Amended and Restated Articles of Incorporation provide that we may issue up to a total 145,000,000 shares of common stock, of which 76,448,266 shares were outstanding as of December 31, 2012.

We are not restricted from issuing additional common stock. The issuance of additional shares of our common stock upon conversion of any of our $215 million aggregate principal amount of convertible notes, in connection with future acquisitions or other issuances of our common stock or convertible securities, including outstanding options and warrants, or otherwise, will dilute the ownership interest of our common shareholders. Sales of a substantial number of shares of our common stock or other equity-related securities in the public market could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity-linked securities. We cannot predict the affect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

A small number of our existing shareholders have the ability to influence major corporate decisions.

Jorge Mas, our Chairman, Jose Mas, our Chief Executive Officer, and other members of the Mas family employed by MasTec beneficially owned approximately 21.8% of the outstanding shares of our common stock as of December 31, 2012. Accordingly, they are in a position to influence:

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

These factors may discourage, delay or prevent a takeover attempt that shareholders might consider in their best interests or that might result in shareholders receiving a premium for their common stock.

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

During the three years ended December 31, 2012, the market price of our common stock on the New York Stock Exchange fluctuated from a low of $9.26 per share to a high of $24.98 per share and we may continue to experience significant volatility in the market price of our common stock. Numerous factors could have a significant affect on the price of our common stock, including:

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- announcements of fluctuations in our operating results or the operating results of one of our competitors;
- future sales of our common stock or other securities, including any shares issued in connection with earn-out obligations for any past or future acquisition;
- announcements by us or one of our competitors of new or terminated customers or new, amended or terminated contracts;
- market conditions for providers of services to communications, power generation and utilities customers;
- conversions or anticipated conversions of our senior convertible notes, or any sales in the public market of any of our common stock issuable upon such conversion;
- changes in recommendations or earnings estimates by securities analysts; and
- announcements of acquisitions by us or one of our competitors.

In addition, the stock market has experienced significant price and volume fluctuations in recent years, which have sometimes been unrelated or disproportionate to operating performance. The market price for our common stock has been volatile, and such volatility could cause the market price of our common stock to decrease and could cause shareholders to lose some or all of their investment in our common stock.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our corporate headquarters is a 36,000 square foot leased facility located in Coral Gables, Florida.

As of December 31, 2012, our operations were conducted from more than 400 locations primarily within the United States and Canada, and, to a lesser extent, Latin America, including Puerto Rico, Panama and Mexico. None of these facilities is material to our operations because most of our services are performed on customers' premises or on public rights of way and suitable alternative locations are available in substantially all areas where we currently conduct business.

We also own property and equipment that had a net book value of approximately $350.4 million as of December 31, 2012. This property and equipment includes land, buildings, vans, trucks, tractors, trailers, bucket trucks, backhoes, bulldozers, excavators, trenchers, directional boring machines, digger derricks, cranes, computers, computer software, office and building equipment, including furniture and fixtures, and other equipment. Our equipment is acquired from various third-party vendors, none of whom we depend upon, and we did not experience any difficulties in obtaining desired equipment in 2012.

ITEM 3. LEGAL PROCEEDINGS

Legacy Litigation

The material set forth in Note 17 – Commitments and Contingencies in the notes to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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PURCHASES OF EQUITY SECURITIES

Market Information

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

	For the Years Ended December 31,			
	2012		2011	
	High	Low	High	Low
First Quarter	$20.80	$15.53	$21.16	$14.02
Second Quarter	$18.53	$13.61	$23.17	$17.15
Third Quarter	$20.80	$12.86	$22.49	$15.99
Fourth Quarter	$24.98	$19.66	$22.72	$13.79

Holders. As of February 25, 2013, there were 4,679 shareholders of record of our common stock.

Dividends. We have never paid any cash dividends and do not anticipate paying any cash dividends in the foreseeable future. We intend to retain any future earnings for reinvestment. Our Board of Directors will make any future determination as to the payment of dividends at its discretion, and this determination will depend upon our operating results, financial condition and capital requirements, general business conditions and such other factors that the Board of Directors considers relevant. In addition, our credit agreements prohibit us from paying cash dividends or making other distributions of our common stock without prior consent of the lender. The indenture governing our senior notes also contains covenants that restrict our ability to make certain payments including the payment of dividends. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources.”

Issuer Purchases of Equity Securities. During the fourth quarter of 2011, our Board of Directors authorized the repurchase of up to $150 million of MasTec common stock under a stock repurchase program, under which we repurchased 4.6 million shares of common stock for $75.0 million during the year ended December 31, 2011 and an additional 4.9 million shares for $75.0 million during the nine months ended September 30, 2012, which completed the plan.

The following table provides information about repurchases of our common stock during the three month period ended December 31, 2012:

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased under the Program
October 1 through October 31	—		$—	—	$—
November 1 through November 30	738	(1)	$21.70	—	$—
December 1 through December 31	42,487	(1)	$24.31	—	$—
Total	43,225			—	

(1) Reflects shares of common stock withheld for income tax purposes in connection with shares issued to certain employees and directors under compensation and benefit programs.

Performance Graph

The performance graph below compares the cumulative total returns for our common stock with the cumulative total return (including reinvestment of dividends) of the Standard and Poor’s 500 Composite Stock Index (S&P 500), and with that of our peer group, composed of Dycom Industries, Inc., MYR Group, Inc., Quanta Services, Inc., Pike Electric, Inc. and Willbros Group. We added Willbros Group to our peer group comparison beginning in 2012. Due to our recent growth and increased diversification, we determined that Willbros Group should be added to our peer group index in order to enhance comparability. The graph assumes an investment of $100 in our common stock and in each of the respective indices for the period from December 31, 2007 to December 31, 2012. The comparisons in the graph are based upon historical data and are not intended to forecast or be indicative of possible future performance of our common stock.

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The performance graph shall not be deemed incorporated by reference by any general statement incorporating by reference this annual report into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among MasTec, Inc., the S&P 500 Index, Old Peer Group, and New Peer Group
*$100 invested on 12/31/07 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

As of December 31,	2007	2008	2009	2010	2011	2012
MasTec, Inc.	$100.00	$113.86	$122.91	$143.46	$170.80	$245.13
S&P 500	$100.00	$63.00	$79.67	$91.67	$93.61	$108.59
New Peer Group	$100.00	$60.33	$67.51	$65.55	$67.55	$83.55
Old Peer Group	$100.00	$67.30	$70.87	$72.26	$78.58	$96.64

ITEM 6. SELECTED FINANCIAL DATA

The following table states our selected consolidated financial data, which has been derived from our audited consolidated financial statements. The table reflects our consolidated results of operations for the periods indicated. Our consolidated results of operations are not necessarily comparable from period to period due to the impact of acquisitions. In addition, during 2012, we sold our DirectStar Business and committed to a plan of sale for the Globetec business. Accordingly, the DirectStar Business and Globetec are each presented as a discontinued operation in the consolidated financial statements for all periods presented. Our 2012 results include a $9.6 million legal settlement reserve, and our 2011 results include a $29.0 million gain from the remeasurement of our equity investment in EC Source Services LLC ("EC Source") and a $6.4 million charge from our withdrawal from a multi-employer plan in which we participated.

See Note 3 – Acquisitions and Other Investments, Note 4 – Discontinued Operations and Note 17 - Commitments and Contingencies in the notes to consolidated financial statements for additional details.

The following selected financial data should be read together with our audited consolidated financial statements and notes thereto as well as Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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	Years Ended December 31,				
	2012	2011	2010	2009	2008
	(in millions, except per share amounts)				
Statement of Operations Data					
Revenue	$3,726.8	$2,831.3	$2,143.0	$1,482.1	$1,250.8
Costs of revenue, excluding depreciation and amortization	$3,239.2	$2,459.7	$1,829.5	$1,276.0	$1,085.1
Income from continuing operations before non-controlling interests	$116.6	$97.5	$66.1	$44.8	$42.1
(Loss) income from discontinued operations, net of tax	$(9.2)	$8.5	$24.3	$25.9	$23.7
Net income	$107.4	$106.0	$90.4	$70.7	$65.8
Net loss attributable to non-controlling interests	$—	$—	$(0.1)	$—	$—
Net income attributable to MasTec, Inc.	$107.4	$106.0	$90.5	$70.7	$65.8
Basic earnings (loss) per share:					
Continuing operations	$1.49	$1.19	$0.87	$0.59	$0.62
Discontinued operations	$(0.12)	$0.10	$0.32	$0.34	$0.35
Total basic earnings per share	$1.37	$1.29	$1.19	$0.93	$0.97
Diluted earnings (loss) per share:					
Continuing operations	$1.42	$1.13	$0.78	$0.58	$0.61
Discontinued operations	$(0.11)	$0.10	$0.27	$0.32	$0.35
Total diluted earnings per share	$1.31	$1.23	$1.05	$0.90	$0.96

	Years Ended December 31,				
	2012	2011	2010	2009	2008
	(in millions)				
Balance Sheet Data					
Working capital	$341.4	$236.4	$235.1	$202.5	$105.3
Property and equipment, net	$350.4	$263.0	$176.5	$196.1	$155.0
Total assets	$2,407.9	$2,094.7	$1,655.8	$1,382.2	$1,090.9
Total debt	$598.9	$494.8	$412.2	$437.7	$303.5
Total shareholders' equity	$861.9	$811.2	$653.2	$528.2	$443.1

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

We begin with an overview of our business, recent developments and financial results, followed by a discussion of economic, industry and market factors and a summary of our revenue producing activities and related costs, along with a discussion of key metrics our management team uses when evaluating our performance. This overview is followed by a summary of critical accounting policies and estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results as well as our 2013 outlook. We then provide a more detailed analysis of our results of operations, financial condition, liquidity and capital resources.

Business Overview

We are a leading infrastructure construction company operating mainly throughout North America across a range of industries. Our primary activities include, but are not limited to, the engineering, building, installation, maintenance and upgrade of energy, utility and communications infrastructure, including: electrical utility transmission and distribution, power generation, natural gas and petroleum pipeline infrastructure, wireless, wireline and satellite communications, wind farms, solar farms and other renewable energy infrastructure and industrial infrastructure. Our customers are primarily in these industries.

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Including our predecessor companies, we have been in business for more than 80 years. We offer our services primarily under the MasTec service mark, and as of December 31, 2012, we had approximately 12,300 employees and more than 400 locations. We have consistently been ranked among the top specialty contractors by Engineering News-Record over the past five years.

We serve a diversified customer base, which includes some of the leading pipeline, communications, power generation and utility companies in North America. For the year ended December 31, 2012, our top ten customers for our continuing operations were AT&T, DIRECTV®, Mid-American Energy, Energy Transfer Company, Duke Energy, DCP Midstream, Dominion Virginia Power, Enbridge, Inc., Chesapeake Midstream Partners LP and enXco. We have longstanding relationships with many customers and often provide services under multi-year master service and other service agreements. Because our business is concentrated among relatively few major customers, our business could be negatively affected if the amount of business we obtain from these customers is reduced, or if we complete the required work on projects and cannot replace them with similar projects.

Revenue concentration information, as a percent of total consolidated revenue from continuing operations, was as follows:

	For the Years Ended December 31,		
	2012	2011	2010
Revenue from top ten customers	64%	71%	72%
Revenue from specific customers:			
AT&T	18%	24%	22%
DIRECTV®	17%	20%	20%

Our relationship with AT&T is based upon master service agreements, other service agreements and construction/installation contracts for both AT&T's wireless and wireline infrastructure businesses. Revenue from AT&T is included in our communications reportable segment.

Our relationship with DIRECTV® is based upon an agreement to provide installation and maintenance services for DIRECTV®. Revenue from DIRECTV® is included in our communications reportable segment.

See discussion of reportable segments within our "Comparisons of Fiscal Results" section below.

Acquisitions

We have actively pursued a diversification and expansion strategy in recent years. This strategy has deepened our presence and expanded our service offerings in key markets, including wireless, natural gas, natural gas liquids and petroleum pipeline, electrical transmission, power generation and industrial, including renewable energy and heavy industrial infrastructure, among others. In addition to integration and growth opportunities associated with our diversification and expansion strategy, we also seek opportunities to expand our geographic presence and to expand our traditional business areas, such as telecommunications and install-to-the-home services.

2012 Acquisitions. In December 2012, we acquired Bottom Line Services, LLC ("BLS") and Go Green Services, LLC ("Go Green"), two natural gas and petroleum pipeline infrastructure construction companies, in separate transactions. These acquisitions further extend our service offerings further into the shale gas and petroleum pipeline construction markets. BLS and Go Green are located in Texas. Additionally, in December 2012, we acquired Dynamic Tower Services, Inc. ("Dynamic"), a self-perform wireless construction contractor, which further increases our capability to vertically integrate our wireless infrastructure construction services. Dynamic is based in Louisiana and primarily performs services in Louisiana, Mississippi and Puerto Rico.

2011 Acquisitions. In April 2011, we acquired Fabcor TargetCo Ltd., ("Fabcor"), a Canadian natural gas and petroleum pipeline infrastructure construction company. Fabcor expands our energy infrastructure services within the Canadian market and allows us to participate in the significant opportunities anticipated in that market in the future. Additionally, in April 2011 we exercised our EC Source Services, LLC ("EC Source") merger option and, effective May 2, 2011, acquired the remaining 67% membership interest in EC Source, a nationally recognized full-service

engineering, procurement and construction service entity, focusing on deploying extra high voltage electrical transmission systems throughout North America. During the second quarter of 2011, we also acquired: Cam Communications, Inc., a company specializing in equipment construction and network services for telecommunications carriers; Halsted Communications, Ltd., an install-to-the-home contractor operating primarily in portions of New York, Pennsylvania, and New England, whose primary customer is DIRECTV®; and Optima Network Services, Inc., a wireless infrastructure services company headquartered in California.
See Note 3 – Acquisitions and Other Investments in the notes to the consolidated financial statements for details of our 2012 and 2011 acquisitions.
Dispositions
In May 2012, Red Ventures exercised its option to purchase the DirectStar Business, and we consummated the sale of the DirectStar Business to Red Ventures in June 2012 for a net sale price of $98.9 million in cash. DirectStar provides marketing and sales services on behalf of DIRECTV®. Additionally, in September 2012, MasTec's board of directors approved a plan of sale for its wholly owned subsidiary, Globetec, which is expected to be completed on or before September 30, 2013. Globetec, a small water and sewer subsidiary, has not performed well in recent years due to a lack of financial resources available to municipalities and state governments. In connection with our decision to sell Globetec, we recognized estimated losses on disposal of $12.7 million for the year ended December 31, 2012, including $6.4 million of goodwill impairment charges.

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DirectStar and Globetec are each presented as a discontinued operation in the consolidated financial statements for all periods presented. See Note 4 – Discontinued Operations in the notes to the consolidated financial statements for additional details.

Overview of Financial Results

Revenue in 2012 grew to $3.7 billion, an increase of $895 million, or 31.6%, from the prior year. Strong demand for power generation and industrial, oil and gas pipeline and facility and electrical transmission construction services contributed to this growth. Organic revenue growth contributed $718 million, or 80%, of the increase in revenue, while acquisitions contributed $178 million, or 20%. As a percentage of revenue, costs of revenue, excluding depreciation and amortization were flat at 86.9%. In dollar terms, depreciation and amortization expense and general and administrative costs increased, due in part to recent acquisitions, as well as from increased levels of investment in our business. As a percentage of revenue, depreciation and amortization and general and administrative costs declined versus the prior year, due largely to improved leverage of these costs as a result of higher revenues. Our 2012 results were also affected by a $9.6 million legal settlement reserve, which was recorded within other expense, net. See Note 17 – Commitments and Contingencies in the notes to the consolidated financial statements for additional information. Income from continuing operations was $116.6 million, or $1.42 per diluted share in 2012, which includes the after-tax effect of $5.8 million, or $0.07 cents per diluted share, of the legal settlement charge discussed above. Excluding this charge, 2012 adjusted income from continuing operations and diluted earnings per share were $122.5 million and $1.50 cents per diluted share, respectively. Our 2011 income from continuing operations includes a gain of $17.8 million, net of tax, or $0.20 cents per diluted share, from the remeasurement of our equity investment in EC Source, and a charge of $3.9 million, net of tax, or $0.05 cents per diluted share, from our withdrawal from a multi-employer pension plan in which we participate. Excluding the EC Source gain and multi-employer pension plan charge, adjusted 2011 income from continuing operations and diluted earnings per share were $83.6 million and $0.97 cents per share, respectively. Excluding the legal settlement charge, adjusted 2012 income from continuing operations and diluted earnings per share increased by approximately $38.9 million and $0.53 cents per share, or approximately 46.5% and 54.6%, respectively, as compared with our 2011 adjusted income from continuing operations and diluted earnings per share, which exclude the EC Source gain and multi-employer pension plan charge. See "Adjusted Income From Continuing Operations and Adjusted Income From Continuing Operations Per Diluted Share," included in our non-U.S. GAAP financial measures discussion following our "Comparison of Fiscal Year Results" section below. Diluted earnings per share in 2012 was also favorably affected by the purchase of treasury shares. We repurchased 9.5 million shares of our common stock, or 6.5 million shares on a weighted average basis as of December 31, 2012, under a share repurchase program approved by our Board of Directors in the fourth quarter of 2011. See Note 2 – Earnings Per Share in the notes to the consolidated financial statements.

Economic, Industry and Market Factors

We continue to operate in a challenging business environment, as do our customers. We closely monitor the effect that changes in economic and market conditions may have on our customers. General economic conditions since 2008 have negatively affected demand for our customers products and services which has led to rationalization of our customers' capital and maintenance budgets in certain end-markets. This influence as well as the highly competitive nature of our industry, particularly when work is deferred, have, in recent years, resulted in lower bids and lower profit on the services we provide. In the face of increased pricing pressure, we strive to maintain our profit margins through productivity improvements and cost reduction programs. Other market and industry factors, such as access to capital for customers in the industries we serve, changes to our customers' capital spending plans, changes in technology, tax and other incentives, renewable energy portfolio standards and new or changing regulatory requirements affecting the industries we serve, can affect demand for our services. Fluctuations in market prices for, or availability of, oil, gas and other fuel sources can also affect demand for our pipeline and renewable energy construction services. While we actively monitor economic, industry and market factors affecting our business, we cannot predict the impact such factors may have on our future results of operations, liquidity and cash flows.

Impact of Seasonality and Cyclical Nature of Business

Our revenues and results of operations can be subject to seasonal and other variations. These variations are influenced by weather, customer spending patterns, bidding seasons, project schedules and timing, particularly for large non-recurring projects, and holidays. Typically, our revenues are lowest in the first quarter of the year because cold, snowy or wet conditions cause delays. Revenues in the second quarter are typically higher than in the first quarter, as some projects begin, but continued cold and wet weather can often impact second quarter productivity. The third and fourth quarters are typically the most productive quarters of the year, as a greater number of projects are underway and weather is normally more accommodating to work on projects. In the fourth quarter, many projects tend to be completed by customers seeking to spend their capital budget before the end of the year, which generally has a positive impact on our revenues. However, the holiday season and inclement weather can cause delays, which could reduce revenues and increase costs on affected projects. Any quarter may be positively or negatively affected by out of the ordinary weather patterns, such as excessive rainfall or warm winter weather, making it difficult to predict quarterly revenue and margin variations.

Additionally, our industry can be highly cyclical. Fluctuations in end-user demand within the industries we serve, or in the supply of services within those industries, can impact demand for our services. As a result, our business may be adversely affected by industry declines or by delays in new projects. Variations in project schedules or unanticipated changes in project schedules, in particular in connection with large construction and installation projects, can create fluctuations in revenues, which may adversely affect us in a given period, even if not in total. The financial condition of our customers and their access to capital; variations in project margins; regional, national and global economic and market conditions; regulatory or environmental influences; and acquisitions, dispositions or strategic investments can also materially affect quarterly results. Accordingly, our operating results in any particular period may not be indicative of the results that can be expected for any other period.

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Revenue

We provide engineering, building, installation, maintenance and upgrade services to our customers. The primary industries served by our customers are communications and utilities. Customer revenues by segment for the periods indicated were as follows (in millions):

	Year Ended December 31,					
Reportable Segment:	2012		2011		2010	
Communications	$1,772.7	48 %	$1,635.1	58 %	$1,190.6	56 %
Oil & Gas	959.0	26 %	774.3	27 %	562.6	26 %
Electrical Transmission	312.2	8 %	198.3	7 %	67.0	3 %
Power Generation and Industrial	668.1	18 %	219.6	8 %	325.6	15 %
Other	16.7	— %	4.8	— %	0.2	— %
Eliminations	(1.9)	— %	(0.8)	— %	(3.0)	— %
Consolidated revenues	$3,726.8	100 %	$2,831.3	100 %	$2,143.0	100 %

See discussion of reportable segments within our "Comparisons of Fiscal Year Results" section below.

Over 40% of our revenue is derived from projects performed under master service and other service agreements, which are generally multi-year agreements. Certain of our master service agreements are exclusive up to a specified dollar amount per work order for each defined geographic area, but do not obligate our customers to undertake any large infrastructure projects or other work with us. Work performed under master service and other service agreements is typically generated through work orders, each of which is performed for a fixed fee. Services provided under these agreements range from engineering, project management and installation work to maintenance and upgrade services. Master service and other service agreements are frequently awarded on a competitive bidding basis, although customers are sometimes willing to negotiate contract extensions beyond their original terms without re-bidding. Our master service and other service agreements have various terms, depending upon the nature of the services provided, and typically provide for termination on short or no advance notice.

The remainder of our work is generated pursuant to contracts for specific projects or jobs that may require the construction and installation of an entire infrastructure system or specified units within an infrastructure system. Revenues from fixed price contracts are recognized using the percentage-of-completion method, measured by the percentage of costs incurred to date to total estimated costs for each contract. Customers are billed with varying frequency, generally monthly or upon attaining specific milestones. Such contracts generally include retainage provisions under which 2% to 15% of the contract price is withheld from us until the work has been completed and accepted by the customer.

Revenues from continuing operations by type of contract for the periods indicated were as follows (in millions):

	Years Ended December 31,					
	2012		2011		2010	
Master service and other service agreements	$1,611.2	43 %	$1,629.3	58 %	$1,122.3	52 %
Installation/construction project agreements	2,115.6	57 %	1,202.0	42 %	1,020.7	48 %
Total revenues	$3,726.8	100 %	$2,831.3	100 %	$2,143.0	100 %

As shown in the table above, 57% of our 2012 revenues from continuing operations were from non-recurring, project specific work, which may experience greater variability than master service agreement work due to the need to replace the revenue as projects are completed. Additionally, if we are not able to replace work from completed projects with new project work, we may not be able to maintain our current revenue levels, or our current level of capacity and resource utilization. We actively review our backlog of project work and take appropriate action to minimize such exposure.

Costs of Revenue, Excluding Depreciation and Amortization

Costs of revenue, excluding depreciation and amortization, consists principally of salaries, employee wages and benefits, including multi-employer pension plan withdrawal charges, subcontracted services, equipment rentals and repairs, fuel and other equipment expenses, material costs, parts and supplies, insurance and facilities expenses.

Project margins are calculated by subtracting a project's costs of revenue, excluding depreciation and amortization, from project revenue. Project profitability and corresponding project margins will be reduced if actual costs to complete a project exceed original estimates on fixed price and installation/construction service agreements. Estimated losses on contracts are recognized immediately when estimated costs to complete a project exceed the remaining revenue to be received over the remainder of the contract. Factors impacting our costs of revenue, excluding depreciation and amortization, and costs of revenue, excluding depreciation and amortization as a percent of sales, include:

Revenue Mix. The mix of revenues derived from the projects we perform impacts overall project margins, as certain projects provide higher margin opportunities. Installation work is often obtained on a fixed price basis, while maintenance work is often performed under pre-established or time and materials pricing arrangements. Project margins for installation work may vary from project to project, and can be higher than maintenance and upgrade work due to the fact that fixed price contracts often have a higher level of risk than other types of project work. Changes in project mix between installation work and maintenance or upgrade services can impact our project margins in a given period. Additionally, the mix of project revenues by industry served can also have an impact on overall project margins, as project margins can vary by industry and over time.

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Seasonality, Weather and Geographic Mix. As discussed above, seasonal patterns can have a significant impact on project margins. Generally, business is slower at the beginning of the year. Adverse or favorable weather conditions can impact project margins in a given period. For example, extended periods of rain or snowfall can negatively impact revenues and project margins as a result of reduced productivity from projects being delayed or temporarily placed on hold. Conversely, in periods when weather remains dry and temperatures are accommodating, more work can be done, sometimes with less cost, which can favorably impact project margins. In addition, the mix of business conducted in different parts of the country can affect project margins due to geographic characteristics associated with the physical location where the work is being performed, such as mountainous or rocky terrain versus open terrain. Site conditions, including unforeseen underground conditions, can also impact project margins.

Performance Risk. Overall project margins may fluctuate due to the volume of work performed, project pricing, job productivity and crew productivity. Job productivity can be impacted by quality of the work crew, quality of equipment, availability of skilled labor, environmental or regulatory factors, customer decisions and crew productivity. Crew productivity can be influenced by factors including weather conditions and job terrain, such as whether project work is in a right of way that is open or one that is obstructed (either by physical obstructions or legal encumbrances).

Subcontracted Resources. Our use of subcontracted resources in a given period varies, based upon activity levels and the amount and location of existing in-house resources and capacity. Work that is subcontracted may yield lower project margins than self-perform work. As a result, changes in the mix of subcontracted versus self-perform work can impact our overall project margins.

Material versus Labor Costs. In many cases, our customers are responsible for supplying their own materials on projects; however, under certain contracts, we may agree to provide all or part of the required materials. Project margins are typically lower on projects where we furnish a significant amount of materials due to the fact that mark-ups on materials are generally lower than on labor costs. Therefore, increases in the percentage of work with significant materials requirements could decrease our overall project margins.

Insurance Costs. Project margins can also be impacted by insurance costs as additional claims arise and as circumstances and conditions of existing claims change. We maintain insurance policies subject to per claim deductibles of $1 million for our worker’s compensation policy and $2 million for each of our general liability and automobile liability policies. We also have employee healthcare benefit plans for our employees not subject to collective bargaining agreements, which are subject to annual per employee maximum losses of $0.4 million per year.

General and Administrative Expense

General and administrative expenses consist principally of compensation and benefit expenses, travel expenses and related costs for our finance, benefits and risk, legal, facilities, information services and executive personnel. General and administrative expenses also include outside professional and accounting fees, transaction expenses, expenses associated with information technology used in administration of the business and various forms of insurance.

Interest Expense, Net

Interest expense, net, consists of contractual interest expense on outstanding debt obligations, amortization of deferred financing costs, accretion associated with our New Convertible Notes, and other interest expense, such as line of credit and letter of credit fees, offset by interest earned on cash, cash equivalents and fixed income investments.

Other Expense (Income), Net

Other expense (income), net, consists primarily of gains or losses from sales of assets and investments, income or losses from equity method investments, gains or losses from foreign currency transactions, gains or losses from changes to estimated earn-outs accrued as a component of purchase price for recent acquisitions, and other-than-temporary impairment losses recognized in connection with our available for sale securities. Other expense (income), net, also includes the 2012 legal settlement charge pertaining to the Sintel legal matter and the 2011 non-cash gain on remeasurement of our equity investment in EC Source.

Financial Performance Metrics

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

- revenue and profitability on an overall, reportable segment and, as required, on an individual project basis;
- monthly, quarterly and annual changes in revenue and profitability on an overall, reportable segment and, as required, on an individual project basis;
- revenues by customer, by industry and by contract type;
- costs of revenue excluding depreciation and amortization, general and administrative expenses, depreciation and amortization, tax and interest expense as a percentage of revenue;
- income from continuing operations before non-controlling interests before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA, which is EBITDA excluding (i) for 2012, the $9.6 million third quarter 2012 legal settlement charge recorded in connection with the Sintel matter, and (ii) for 2011, the non-cash gain of $29.0 million on remeasurement of our equity investment in EC Source and the $6.4 million charge relating to our withdrawal from a multi-employer pension plan;

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- days sales and days payable outstanding;
- interest and debt service coverage ratios; and
- liquidity and cash flows.

Managements' analysis of this information includes detailed discussions of proposed investments in new business opportunities or property and equipment, acquisition integration efforts and cost reduction efforts. Measuring these key performance indicators is an important tool used by management to make informed and timely operational decisions, which we believe can help us improve our performance.

Critical Accounting Policies and Estimates

This 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 U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the amounts reported in our consolidated financial statements and the accompanying notes. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, including estimates of costs to complete and provisions for contract losses; allowances for doubtful accounts,; accrued self-insured claims; estimated fair values of goodwill and intangible assets, acquisition-related contingent consideration, investments in equity method investees, securities available for sale and certain convertible debt obligations; asset lives used in computing depreciation and amortization, including amortization of intangible assets; estimates of reserves and accruals; impairment of assets; income taxes; and litigation and contingencies. We base our 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 of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. As management estimates, by their nature, involve judgment regarding future uncertainties, actual results may differ from these estimates if conditions change or if certain key assumptions used in making these estimates ultimately prove to be materially incorrect.

We believe the following accounting policies are the most critical in the preparation of our consolidated financial statements as they are both important to the portrayal of our financial condition and they require significant or complex judgment and estimates on the part of management. Refer to Note 1 - Business, Basis of Presentation and Significant Accounting Policies in the notes to the consolidated financial statements for further description of our significant accounting policies.

Our critical accounting policies are reviewed frequently with the Audit Committee of the Board of Directors.

Revenue Recognition

We frequently provide maintenance, installation and repair work under unit price or fixed price master service or other service agreements that are renewed on a periodic basis. Revenue and related costs for master and other service agreements billed on a time and materials basis are recognized as the services are rendered. Services are also performed under master and other service agreements billed on a fixed fee basis. Under fixed fee master service and similar type service agreements, MasTec furnishes various specified units of service for a separate fixed price per unit of service. For service agreements on a fixed fee basis, profitability will be reduced if the actual costs to complete each unit exceed original estimates.

Revenues from fixed price contracts are recognized using the percentage-of-completion method, measured by the percentage of costs incurred to date to total estimated costs for each contract. These contracts provide for a fixed amount of revenues for the entire project. Such contracts provide that the customer accept completion of progress to date and compensate us for services rendered, which may be measured in terms of units installed, hours expended or some other measure of progress. Contract costs include all direct materials, labor and subcontracted costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and the operational costs of capital equipment (excluding depreciation). Much of the materials associated with our work are customer-furnished and are therefore not included in contract revenues and costs. The cost estimation process is based on the professional knowledge and experience of our engineers, project managers and financial professionals. Changes in job performance, job conditions and final contract settlements are factors that influence management’s assessment of total contract value and the total estimated costs to complete those contracts and therefore, our profit recognition. Changes in these factors may result in revisions to costs and income, and their effects are recognized in the period in which the revisions are determined. Provisions for losses on uncompleted contracts are made in the period in which such losses are determined to be probable and the amount can be reasonably estimated. We complete a substantial majority of our fixed price projects within one year.

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

Billings in excess of costs and estimated earnings on uncompleted contracts are classified as current liabilities. Costs and estimated earnings in excess of billings, or work in process, is classified within current assets for the majority of our projects. Work in process on contracts is based on work performed but not yet billed to customers as per individual contract terms.

Allowance for Doubtful Accounts

We maintain allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We analyze the collectibility of accounts receivable and the adequacy of the allowance for doubtful accounts on a regular basis, based on the aging of account balances, historical bad debt experience, customer concentrations, customer credit-worthiness, customer financial condition and credit reports,

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availability of mechanics' and other liens, existence of payment bonds and other sources of payment and current economic trends. For reporting units where losses have occurred historically and are considered to be ordinary course, reserves are established for anticipated losses based on an analysis of the accounts receivable portfolio. For reporting units where historical losses have been immaterial, an increase in the allowance for doubtful accounts is recorded when it is probable a receivable is not collectible and the loss can be reasonably estimated. Amounts are written off against the allowance when deemed uncollectible. If our estimates of the collectibility of accounts receivable change, or should customers experience unanticipated financial difficulties, or if anticipated recoveries in existing bankruptcies or other work-out situations fail to materialize, adjustments to the allowance for doubtful accounts may be required, which could reduce our profitability and cash flows.

Our estimates for the allowance for doubtful accounts are subject to significant change during times of economic weakness or uncertainty in either the overall U.S. economy or within the industries we serve. To proactively manage accounts receivable aging and collections and evaluate the adequacy of our allowance for doubtful accounts, we continue to monitor the economic environment and its impact on our customers.

Discontinued Operations

In determining whether a group of assets to be disposed of should be presented as a discontinued operation, we make a determination as to whether such assets comprise a component of the entity, which includes an assessment as to whether it has historic operations and cash flows that can be clearly distinguished. We also determine whether the cash flows associated with the group of assets will be significantly eliminated from our ongoing operations as a result of the disposal transaction and whether we will have no significant continuing involvement in the operations of the disposed assets after the disposal transaction. If we believe these conditions exist, then the assets and liabilities and results of operations of the assets to be disposed, as well as any estimated gain or loss on the disposal transaction, are aggregated for presentation separately from the financial position and operating results of our continuing operations. For those businesses for which management has committed to a plan of sale, the business is valued at the lower of its carrying amount or estimated fair value less costs to sell. If the carrying amount of the business exceeds its estimated fair value, an impairment loss is recognized. Estimated fair value is determined using management estimates and entity-specific assumptions. Management considers historical experience and all available information at the time such estimates are made; however, the fair value that is ultimately recognized upon sale of the related business may differ from the estimated fair value as reflected in the consolidated financial statements. Depreciation and amortization expense is not recorded on assets of a business to be sold once that business has been classified as held for sale.

In May 2012, Red Ventures exercised its purchase option to acquire the DirectStar Business. The transaction was consummated in June 2012. In September 2012, MasTec's board of directors approved a plan of sale for the Globetec business to be completed on or before September 30, 2013. In connection with our decision to sell Globetec, we recognized estimated losses on disposal of $12.7 million during the third quarter of 2012.

The DirectStar Business and Globetec are presented as discontinued operations in the consolidated financial statements for all periods presented.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and certain intangible assets acquired in a business combination and determined to have indefinite useful lives are not amortized, but instead are tested for impairment at least annually. We perform our annual impairment review of goodwill and intangible assets with indefinite lives during the fourth quarter each year at the reporting unit level. Each of our reporting units comprises one component of one of our five reportable segments. We identify our reporting units by assessing whether components have discrete financial information available and whether a segment manager regularly reviews the operating results of that component. Net assets of acquired businesses and related goodwill are allocated to the corresponding reporting unit upon acquisition, based upon our expected organizational structure. If two or more components are deemed economically similar, those components are aggregated into one reporting unit for purposes of our annual goodwill impairment review. None of our components are aggregated for annual impairment testing.

Under Accounting Standards Update ("ASU") 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment ("ASU 2011-08"), which the Company adopted for the year ended December 31, 2011, and ASU 2012-02 Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment

(“ASU 2012-02”), which the Company adopted for the year ended December 31, 2012, a full quantitative analysis is not required if the Company's qualitative analysis concludes that it is more likely than not that the fair value of the Company's reporting units or indefinite-lived intangible assets are greater than their carrying amounts. If testing for impairment using the full quantitative approach, as performed in 2010, management estimates the fair value of each of its reporting units and indefinite-lived intangible assets and compares these estimated fair values to their carrying amounts. If the carrying amounts exceed the estimated fair values, the value of the reporting units' goodwill or other indefinite lived intangible assets may be impaired and could require a write-down.
During the years ended December 31, 2012 and 2011, we assessed qualitative factors to determine whether it was more likely than not that the fair values of our reporting units were less than their carrying amounts as a basis for determining whether it was necessary to perform the traditional two-step goodwill impairment test.
During the year ended December 31, 2010, we estimated the fair value of our reporting units to determine if their carrying values exceeded their estimated fair values using a discounted cash flow methodology, which incorporated management estimates, including estimates of future cash flows and growth rates, as well as the selection of a discount rate. This analysis included five-year projections of revenues, operating costs and cash flows considering historical and anticipated future results, general economic and market conditions, as well as the impact of planned business and operational strategies. We applied a discounted cash flow technique utilizing a terminal value equal to 5.5 times year five EBITDA. The discount rate was estimated to be 8.5% per annum, representing our estimated cost of capital at the time of the analysis. A 100 basis point change in the discount rate would not have had a material impact on the results of the impairment analysis. Based upon the results of these analyses, management determined that the estimated fair values of its reporting units for its continuing operations businesses substantially exceeded their carrying values. In September 2012,

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MasTec's board of directors approved a plan of sale for the Globetec business. In connection with the decision to sell Globetec, we recognized impairment losses of $12.7 million, including $6.4 million of goodwill impairment charges, during the third quarter of 2012.

During the year ended December 31, 2012, we assessed qualitative factors to determine if it was more likely than not that the fair values of our indefinite-lived intangible assets were less than their carrying amounts. For the years ended December 31, 2011 and 2010, we estimated the fair values of our indefinite-lived intangible assets based on estimates of growth rates for the related businesses and estimated future economic conditions. Based upon the results of these analyses, no impairment charges related to our indefinite-lived intangible assets for our continuing operations businesses were recorded during the three years in the period ended December 31, 2012.

See Note 4 - Discontinued Operations in the notes to the consolidated financial statements for details of the Globetec discontinued operation and Note 5 – Goodwill and Other Intangible Assets in the notes to the consolidated financial statements for additional information.

Significant changes in the assumptions or estimates used in our analysis could result in an impairment charge related to goodwill and/or intangible assets. In addition, we could record impairment losses in the future if profitability and cash flows of our reporting entities decline to the point where their carrying values exceeded their market values.

Business Combinations – Valuation of Acquired Assets and Liabilities Assumed

We allocate the purchase price for each business combination, or acquired business, based upon (i) the fair value of the consideration paid and (ii) the fair value of net assets acquired. The determination of the fair value of net assets acquired requires estimates and judgments of future cash flow expectations for the acquired business and the allocation of those cash flows to identifiable tangible and intangible assets. Fair values are calculated by incorporating expected cash flows into industry standard valuation techniques. For current assets and current liabilities, the book value is generally assumed to equal the fair value. Goodwill is the amount by which the purchase price consideration exceeds the fair value of tangible and intangible assets, less assumed liabilities. To the extent possible, goodwill should be allocated to separate identifiable intangible assets, such as customer relationships and trade names, which are amortized to expense over their estimated useful lives. Goodwill and indefinite-lived intangible assets are not amortized, but are tested for impairment annually and, if impaired, their value is reduced to fair value. Acquisition costs are expensed as incurred.

Consideration paid generally consists of cash, common stock, and additional cash or common stock payments which are contingent on the acquired business achieving certain levels of earnings (referred to as “contingent consideration” or “earnouts”). The fair value of cash and MasTec common stock is generally based upon the amount tendered or the market price on the closing date, respectively.

A liability for contingent consideration based on earnings is measured at its estimated fair value as of the date of acquisition, with subsequent changes in fair value recorded in earnings as a gain or loss. Fair value is estimated as of the acquisition closing date utilizing calculated earnout payments that would be made as if managements' best estimate of possible cash flows of the acquired business was accurate. Thus, if actual earnout payments are expected to exceed estimated earnout payments (as a result of higher than expected acquired business cash flows), then a loss would be recognized in the period in which that expectation is considered probable. Conversely, if actual earnout payments are expected to fall below estimated earnout payments, a gain would be recognized in the period that expectation is considered probable.

Due to the time required to gather and analyze the necessary data for each acquisition, U.S. GAAP provides a “measurement period” of up to one year in which to finalize such calculations. Most calculations are considered preliminary until the end of the measurement period. All subsequent adjustments to initial valuations and estimates during the measurement period that reflect newly discovered information that existed as of the acquisition date are recorded with an offsetting entry to goodwill; otherwise, those adjustments are reflected as income or expense, as appropriate. The consolidated balance sheet for the period of acquisition is modified for subsequent measurement period adjustments when that period is presented in future consolidated financial statements.

Self-Insurance

We presently maintain insurance policies subject to per claim deductibles of $1 million for our workers’ compensation policy, $2 million for our general liability policy and $2 million for our automobile liability policy. We have excess umbrella coverage up to $100 million per claim and in the aggregate. Liabilities under these insurance programs are accrued based upon our estimate of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third-party actuaries. We also maintain an insurance policy with respect to employee group health claims, which is subject to annual per employee maximum losses of $0.4 million. Our liability for employee group claims is based on statistical analysis of historical claims experience and specific knowledge of actual outstanding claims and losses that have occurred.

The present value of our self-insurance liabilities are reflected in the consolidated balance sheets as current and other non-current liabilities. The determination of such claims and expenses and the appropriateness of the related liability is reviewed and updated quarterly, however, insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties and the number of incidents not reported. We continue to work with our insurance carriers to resolve claims quickly in an effort to reduce our exposure. We are also attempting to accelerate the claims process where possible so that amounts incurred are known rather than estimated. Accruals are based upon known facts and historical trends and we believe such accruals to be adequate. However, a change in experience or actuarial assumptions could materially affect results of operations in a particular period.

Securities Available for Sale

Our securities available for sale consist of auction-rate securities, which represent interests in pools of student loans guaranteed by the U.S. government under the Federal Family Education Loan Program and a structured finance security. The structured finance security has an attached credit default swap under which the principal value of the structured finance security would be partially or fully forfeited at net default rates on the underlying

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corporate debt obligations ranging from 8% to 9%. The net default rate as of December 31, 2012 was estimated to be 6.22%. Both the structured finance security and the credit default swap are collateralized by investment grade credit-linked notes made up of floating rate international bank notes.

Liquidity for auction rate securities was originally provided by an auction process that would provide for liquidation or reset the applicable interest rate at pre-determined intervals, usually every 7, 28 or 35 days. Due to disruptions in the credit markets beginning in 2008, these auctions have not had sufficient bidders to allow investors to complete a sale, indicating that liquidity at its par value is unavailable. Due to the failed auction process, there was insufficient observable market data to determine the fair value of our auction rate securities as of either December 31, 2012 or 2011. Therefore, their respective fair values were estimated by an independent valuation firm, Houlihan Capital Advisors, LLC, ("Houlihan") using a probability-weighted discounted cash flow model.

The Houlihan model incorporates assumptions that market participants would use in their estimates of fair value, such as reset interest rates, final stated maturities, collateral values, credit quality and insurance, and applies the probabilities of either (a) a successful auction; (b) a failed auction; or (c) a default; at each auction. The valuation of these securities is sensitive to market conditions and managements' judgment and can change significantly based on the assumptions used. Factors that may impact the valuation include: changes to credit ratings of the securities and, for the structured finance security, changes to the credit ratings of the underlying assets supporting the security as well as rates of default of the underlying assets, underlying collateral values, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity.

As a result, these securities have been recorded as long-term assets at their estimated fair value in the consolidated financial statements. Fair values are reevaluated quarterly. Temporary unrealized holding gains and losses are recorded as a separate component of accumulated other comprehensive income (loss), net of applicable income taxes. Unrealized losses are charged against earnings when a decline in fair value is determined to be other-than-temporary. An impairment is considered to be other-than-temporary if an entity: (i) intends to sell a security, (ii) more likely than not will be required to sell a security before recovering its cost, or (iii) does not expect to recover a security’s entire amortized cost basis, even if there is no intent to sell the security.

We consider several factors in assessing whether a loss is other-than-temporary. These factors include, but are not limited to: intent to hold a security; that it is not more likely than not that we will be required to sell a security before recovery of its cost basis; the length of time a security is in an unrealized loss position; the extent to which fair value is less than cost; the financial condition and near term prospects of the issuer; changes to the credit ratings of securities, as well as their underlying assets; and, for our structured finance security, rates of default on the loan portfolio underlying the credit default swaps.

In assessing the expectation of recovering a security’s amortized cost basis, we perform an assessment of the present value of cash flows expected to be collected. If this assessment yields an amount less than the amortized cost basis of the security, even if the Company has the intent, and more likely than not, the ability to hold the securities, a credit loss is deemed to exist. The amount of an other-than-temporary impairment attributed to the credit losses is recognized in earnings, while the amount of an other-than-temporary impairment related to other factors is recognized in other comprehensive income, net of applicable deferred income taxes. We estimate credit losses associated with our auction rate securities using Level 3 inputs. Credit loss estimates are derived by comparing the estimated fair value of the securities, which are based on a number of factors, including estimated probabilities of default, with the value that would have been derived if the probability of default for the same securities were zero percent. The difference between the recorded fair value and the estimated fair value assuming a zero probability of default is considered the portion of total decline in fair value attributable to credit losses.

Structured Finance Auction Rate Securities. Following the sale of two of our three structured finance auction rate securities, we determined that we no longer met the criteria for intent to hold with respect to our remaining structured finance security. Declines in this security’s cost basis are recognized in earnings. Increases are recorded in other comprehensive income, net of applicable income taxes.

Student Loan Auction Rate Securities. We expect to recover the remaining cost basis of our student loan auction rate securities, and do not intend to sell, or believe that we will more likely than not be required to sell our student loan auction rate securities before recovery of their cost basis, which may be at maturity. Temporary unrealized holding gains and losses associated with our student loan auction rate securities are recorded as a separate component of accumulated other comprehensive income, net of applicable income taxes.

See Note 7 – Securities Available for Sale in the notes to the consolidated financial statements.

Income Taxes

We record income taxes using the asset and liability method of accounting for 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 basis of our assets and liabilities. Income taxes are estimated in each of the jurisdictions in which we operate. This process involves estimating the 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 the consolidated balance sheets. The recording of a net deferred tax asset assumes the realization of such asset in the future. Otherwise, a valuation allowance must be recorded to reduce this asset to its net realizable value.

We consider future pretax income and ongoing prudent and feasible tax planning strategies in assessing the net realizable value of tax assets and the need for such a valuation allowance. If we determine that we may not be able to realize all or part of a deferred tax asset in the future, a valuation allowance for the deferred tax asset is charged against income in the period such determination is made. As of December 31, 2010, we had substantially utilized our net operating loss carryforwards for federal income tax purposes. In prior years, we released the valuation allowance that was previously established against domestic net operating losses. Based on our recent history of profitability and our forecasts for future periods, we determined that it is more likely than not that the state net operating loss carryforwards and other temporary differences would be realized. As of December 31, 2012

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and 2011, we have valuation allowances aggregating $2.0 million and $2.8 million, respectively. These valuation allowances relate to foreign net operating losses and credit carryforwards that we believe may not be realized in future periods.
In determining the provision for income taxes, we use an effective tax rate based on annual pre-tax income, permanent tax differences, statutory tax rates and tax planning opportunities in the various jurisdictions in which the Company operates. Significant factors that impact the annual effective tax rate include our assessment of certain tax matters, the location and amount of taxable earnings, changes in certain non-deductible expenses and expected credits. As of December 31, 2012, we have not made a provision for U.S. income taxes on unremitted foreign earnings because such earnings are intended to be indefinitely reinvested outside the U.S. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and certain other circumstances.
Our subsidiaries file income tax returns in numerous tax jurisdictions, including U.S. federal, most U.S. states and certain foreign jurisdictions. The statute of limitations varies by the various jurisdictions in which we operate. Our U.S. federal income tax returns for years ending on or after December 31, 2009 remain open for examination. Although we believe our calculations for tax returns are correct and the positions taken thereon are reasonable, the final outcome of tax audits could be materially different from the resolution we currently anticipate, and those differences could result in significant costs or benefits to us. If applicable, any interest or penalties pertaining to our income tax returns, if assessed, would be recorded within interest expense or general and administrative expense, respectively, in the consolidated statements of operations.
Multi-Employer Pension Plans
We make contributions to certain union-administered multi-employer pension plans, which are recorded as a component of employee wages and salaries within costs of revenue, excluding depreciation and amortization. Contributions are generally based on fixed amounts per hour per employee for employees covered under these plans. To the extent that those plans are underfunded, the Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, may subject us to substantial liabilities if we withdraw from such multi-employer plans or if they are terminated. In November 2011, we voluntarily withdrew from one of the multi-employer pension plans in which we participated and recorded a charge of $6.4 million within costs of revenue. Withdrawal liabilities under multi-employer pension plans are based on estimates of our proportionate share of the plan’s unfunded vested liability, as calculated by the plan’s actuaries, and represent our best estimate of such liabilities as of the time they are recorded. Any changes in estimated withdrawal liabilities could materially affect our results of operations, cash flows and financial position in the period such changes occur. See Note 13 – Other Retirement Plans and Note 17 – Commitments and Contingencies in the notes to the consolidated financial statements for additional details.
Litigation and Contingencies
Litigation and contingencies are reflected in our consolidated financial statements based on our assessments, along with legal counsel, of the expected outcome of litigation proceedings or the expected resolution of the contingency. We accrue a liability for an estimated loss if the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether the amount of an exposure is reasonably estimable. Due to uncertainties related to these matters, accruals are based only on the information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions in estimates of potential liabilities could have a material impact on our consolidated results of operations and financial position.
During the year ended December 31, 2012, we recorded a $9.6 million legal settlement charge in connection with the Sintel legal matter. See Note 17 - Commitments and Contingencies in the notes to the consolidated financial statements for details and further discussion of current litigation matters.
2013 Outlook
We believe we have significant market opportunities in 2013 in six areas:
Wireless and Fiber Communications Network Upgrades - we believe wireless and fiber optic communication network upgrades will continue to grow in 2013 and that the major regional and rural telecommunications and other

communications companies will continue to expand and enhance their capabilities in these areas, which could increase demand for our services. We continue to expand our capabilities in wireless infrastructure construction. Additionally, we expect continued technological development of broadband facilities throughout the U.S and expansion of broadband access into areas that are currently not served by high-speed data networks.

Petroleum, Natural Gas and Natural Gas Liquids Pipelines - we believe that demand for clean-burning, domestic natural gas will grow in order to reduce U.S. dependence on foreign energy sources. Recent improved access to shale formation as a result of technological advances and improved economics has resulted in significant increases in the petroleum industry estimates of available North American natural gas reserves. Technological advances in horizontal drilling and hydraulic fracturing have made access to natural gas easier and cheaper and have led to a natural gas shale drilling boom in recent years and created an abundance of gas supply, which has reduced the price of dry gas, or gas without imbedded liquids, that can be extracted for higher value. With these developments, we expect new North American producing fields to be developed and old fields' productivity to be expanded significantly. We anticipate the resulting incremental production will provide increasing opportunities for our oil and gas gathering, gas compression, liquids pumping, oil and gas treatment, long-haul and mid-stream oil and gas and other liquids pipeline construction operations. We have made acquisitions in the last few years to expand our capabilities in these areas.

Work for Electrical Grid Upgrades - we believe that the nation's electrical grid, which routinely encounters capacity and reliability issues, will be expanded, modernized and upgraded in the coming years. During the recent recession, demand for electric power has declined and has hidden many of the grid reliability issues which caused blackouts, brownouts and other grid failures in 2007 and early 2008. Also, renewable energy, which is

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often generated in remote areas, will require significant investment in new transmission and substation infrastructure in order to deliver this power to the population and to industrial centers with high electrical power demand. We expect continued efforts to modernize and expand the national electrical grid in order to develop a smart grid. With even a modest pickup in the economy, we believe that old grid reliability issues will reappear and that utilities across the country will respond by increasing their capital expenditures in this area. Additionally, we believe that cost and labor conditions are making it increasingly attractive for utilities to outsource their construction and maintenance activities.

Power Plants and other Heavy Industrial - we believe there will be increased demand for heavy industrial construction across a range of industries. The current low price and environmental advantage of clean burning natural gas should result in the conversion of coal fired power plants and the construction of new gas fired power plants. Additionally, a wide variety of industries may seek to expand, convert or construct new plants to take advantage of this economical, lower carbon fuel source. We continue to expand our capabilities in heavy industrial construction in anticipation of this trend.

Alternative and Renewable Energy Projects - this market grew significantly in 2012 as developers sought to qualify for the expiring Federal investment tax credits and production tax credits for wind projects. The delay in the extension of the production tax credits for wind projects is expected to cause a slow start to wind activity in 2013, although we expect wind project activity to recover in the second half of 2013. On December 31, 2012, production tax credits were reinstated for construction starting before January 1, 2014. Additionally, we expect that solar development will accelerate with current low solar panel prices and the extension of Federal tax benefits for solar projects through 2016. Our primary focus is the construction of renewable energy infrastructure, including wind farms and solar farms. Regulatory mandates for electricity generation from alternative and renewable sources and the ARRA, which calls for expansion of domestic renewable energy sources through tax incentives, cash grants and loan guarantees, has provided our renewable energy operations with recent growth potential. However, the expiration of the Section 1603 cash grants may negatively impact future project development by current and potential customers.

Install to the Home - we believe the increased number of DIRECTV® subscribers and expansion of high definition video programming, special or proprietary programming, new technology set-top boxes and other in-home technology advances provide us with the continuing opportunity to provide installation, upgrade and maintenance services for new and existing customers. Our expertise in home installation and existing network of technicians also provide opportunities to offer installation services for new customers.

Our 2013 results could be adversely affected by the matters discussed in the “Cautionary Statement Regarding Forward-Looking Statements,” Item 1A. “Risk Factors” and Item 3. “Legal Proceedings” of this Annual Report on Form 10-K.

Comparisons of Fiscal Year Results

The following table reflects our consolidated results of operations in dollar and percentage of revenue terms for the periods indicated (dollar amounts in millions). Our consolidated results of operations are not necessarily comparable from period to period due to the impact of recent acquisitions and dispositions. See Note 3 - Acquisition and Other Investments and Note 4 – Discontinued Operations in the notes to consolidated financial statements. The table below may contain slight summation differences due to rounding.

	Years Ended December 31,				
	2012		2011		2010	
Revenue	$3,726.8	100.0 %	$2,831.3	100.0 %	$2,143.0	100.0 %
Costs of revenue, excluding depreciation and amortization	3,239.2	86.9 %	2,459.7	86.9 %	1,829.5	85.4 %
Depreciation and amortization	92.0	2.5 %	74.2	2.6 %	56.9	2.7 %
General and administrative expenses	157.5	4.2 %	132.6	4.7 %	112.2	5.2 %
Interest expense, net	37.4	1.0 %	34.5	1.2 %	29.2	1.4 %
Other expense (income), net	8.0	0.2 %	(29.0)	(1.0)%	1.2	0.1 %
Income from continuing operations before provision for income taxes	$192.7	5.2 %	$159.3	5.6 %	$114.1	5.3 %
Provision for income taxes	(76.1)	(2.0)%	(61.8)	(2.2)%	(47.9)	(2.2)%

Income from continuing operations before non-controlling interests	$116.6	3.1 %	$97.5	3.4 %	$66.1	3.1 %
(Loss) income from discontinued operations, net of tax	(9.2)	(0.2)%	8.5	0.3 %	24.3	1.1 %
Net income	$107.4	2.9 %	$106.0	3.7 %	$90.4	4.2 %
Net loss attributable to non-controlling interests	—	— %	—	— %	(0.1)	— %
Net income attributable to MasTec, Inc	$107.4	2.9 %	$106.0	3.7 %	$90.5	4.2 %

The following discussion and analysis of our results of operations should be read in conjunction with our consolidated financial statements and notes thereto in Item 8 of this Form 10-K.

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Comparison of Years Ended December 31, 2012 and 2011

Revenue. Our revenue was $3.7 billion in 2012, as compared with $2.8 billion in 2011, representing an increase of $895 million or 31.6%. Of this increase, $178 million, or approximately 20%, was attributable to acquired businesses. Organic revenues increased by $718 million, or 25%, representing 80% of the increase in revenue. Revenues in 2012 were favorably affected by demand for our power generation and industrial, oil and gas pipeline and facility and electrical transmission services. Key customers driving this growth included Mid-American Energy, Duke Energy, Enbridge, Inc. and Chesapeake Midstream Partners LP. Revenue from power generation and industrial projects increased by $449 million to $668 million in 2012 as compared with 2011. The growth in power generation and industrial project work has been driven largely by customers seeking to complete wind installation projects under the current federal production tax credit program, which, until reinstatement of these production tax credits in January 2013, required that qualified facilities be placed in service by December 31, 2012. In addition to wind projects, solar project activity increased by $92 million versus the prior year. Oil and gas pipeline and facility project work benefited from approximately $185 million of incremental revenue from natural gas and petroleum pipeline infrastructure project activities in 2012 as compared with 2011. Acquisitions contributed approximately $56 million of oil and gas pipeline and facility revenues in 2012. Electrical transmission project activity increased by approximately $114 million, including approximately $56 million of revenue from acquired businesses. Communications revenues increased by $138 million, including $65 million of acquisition revenues, driven primarily by our expansion of install-to-the-home services as a result of our 2011 acquisition of Halsted, which yielded approximately $52 million of incremental revenues.

Costs of revenue, excluding depreciation and amortization. Our costs of revenue, excluding depreciation and amortization, were $3.2 billion for the year ended 2012, compared to $2.5 billion in 2011, or 86.9% of revenue in both periods, a $779 million, or 31.7%, increase. The dollar increase is largely a result of higher costs associated with increased revenues, as described above. In addition, we incurred approximately $36 million of losses on two pipeline projects largely through the third quarter of 2012, which suppressed average project margins throughout the year. As a percentage of revenue, costs of revenue, excluding depreciation and amortization, remained flat.

Depreciation and amortization. Depreciation and amortization was $92 million in 2012, or 2.5% of revenue, as compared with $74 million in 2011, or approximately 2.6% of revenue, representing an increase of approximately $18 million, or 24.0%. The increase was driven by $17 million of higher organic business depreciation expense, as well as $5 million of acquisition-related depreciation and amortization, offset in part by a decrease of approximately $5 million in amortization expense from historical acquisitions. The increase in organic business depreciation expense resulted from capital spending on equipment to perform oil and gas and communications projects. See Note 16 - Segments and Operations by Geographic Areas for details of depreciation expense and capital spending by reportable segment.

General and administrative expenses. General and administrative expenses were $158 million, or 4.2% of revenue, for the year ended December 31, 2012 as compared with $133 million, or 4.7% of revenue, in 2011, representing an increase of $25 million, or 18.8%. The dollar increase resulted from incremental costs of approximately $8 million in support of acquired businesses, as well as from $16 million of higher labor, information technology and other administrative costs associated with growth in our business. As a percentage of revenue, general and administrative costs decreased by approximately 50 basis points as a result of revenue growth outpacing the growth in general and administrative costs.

Interest expense, net. Interest expense, net of interest income, was $37 million, or 1.0% of revenue, for the year ended December 31, 2012, as compared with $34 million, or 1.2% of revenue, in 2011, an increase of $3 million. The increase was largely attributable to an increase in interest expense of approximately $1.4 million related to higher average outstanding balances under our credit facility, as well as approximately $1 million of incremental discount accretion associated with our new senior convertible notes (the “New Convertible Notes”). During the first quarter of 2011, we exchanged 94% of our original senior convertible notes issued in 2009 (the “Original Convertible Notes”) for the New Convertible Notes that have an optional physical (share), cash or combination settlement feature (see “Senior Convertible Notes” below).

Other expense (income), net. Other expense, net, was $8 million for the year ended December 31, 2012, as compared with $29 million of other income, net, for the year ended December 31, 2011. The decrease in other income, net, is attributable, in large part, to the $29 million gain on remeasurement of our equity investment in EC Source, which was recognized in the second quarter of 2011. In addition, in the third quarter of 2012, we recorded a legal settlement reserve of approximately $10 million in connection with the Sintel legal matter. See Note 3 – Acquisitions and Other Investments and Note 17 – Commitments and Contingencies in the notes to the consolidated financial statements.

Income taxes. Income tax expense was $76 million for the year ended December 31, 2012, as compared with $62 million for the year ended December 31, 2011, representing an increase of approximately $14 million. The increase is primarily attributable to higher income and a higher effective tax rate. Our effective tax rate on income from continuing operations was 39.5% for the year ended December 31, 2012 as compared with an effective tax rate of 38.8% in the prior year. The higher current year effective tax rate is principally attributable to a higher average state tax rate and a slight increase in our non-deductible expenses.

(Loss) income from discontinued operations. Loss from discontinued operations, net of tax, was $9 million for the year ended December 31, 2012 as compared with $9 million of income from discontinued operations in the prior year period, a variance of $18 million, driven primarily by estimated losses on disposal of approximately $13 million recognized in the third quarter of 2012 in connection with our decision to sell Globetec. Additionally, we had lower 2012 revenues and income associated with the DirectStar Business as a result of its sale in June 2012. See Note 4 – Discontinued Operations in the notes to the consolidated financial statements for additional details.

Comparison of Years Ended December 31, 2011 and 2010

Revenue. Our revenue was $2.8 billion for year ended December 31, 2011, compared to $2.1 billion in 2010, representing an increase of $688 million, or 32.1%. Of this increase, $265 million, or approximately 38.5%, was attributable to businesses acquired during 2011. Revenues were favorably affected by demand for our wireless, install-to-the-home, oil and gas and electrical transmission services. Key customers driving growth during 2011 included AT&T, DIRECTV® and Energy Transfer Company. Growth in our communications business contributed $445 million

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of the increase in revenues. Continuing investments in new infrastructure for wireless technology, in addition to expansion of the geographic areas in which we do project work, yielded approximately $230 million of higher revenues from wireless projects in 2011 as compared with 2010. Install-to-the-home project activity was also strong in 2011, increasing by approximately $130 million. Approximately $87 million of our communications revenue growth was derived from acquired businesses. Oil and gas revenues increased approximately $212 million for the year ended December 31, 2011, driven by acquisition revenues of $83 million, as well as a net increase of approximately $90 million from natural gas and petroleum pipeline projects, including those in the various natural gas shale basins. Oil and gas revenues were also favorably affected by approximately $37 million of higher year-over-year revenues from a large pipeline project with El Paso Corporation. Electrical transmission project activity increased by approximately $131 million, including approximately $96 million of acquisition revenues. Otherwise strong revenue growth was partially offset by approximately $106 million in lower levels of activity on power generation and industrial projects versus 2010 as a result of tightened access of our customers to project financing and delays resulting from changes to our customers' capital spending projects.

Costs of revenue, excluding depreciation and amortization. Our costs of revenue, excluding depreciation and amortization, were $2.5 billion, or 86.9% of revenue, for the year ended December 31, 2011, compared to $1.8 billion, or 85.4% of revenue, for the corresponding period in 2010, a $630 million, or 34.4%, increase. The dollar increase is partially attributable to higher costs associated with increased revenues, as described above. As a percentage of revenue, costs of revenue, excluding depreciation and amortization increased 150 basis points. The basis point increase was driven by several factors.

Labor and subcontractor costs increased as a percent of revenue by approximately 60 basis points, as a result of higher costs on certain of our oil and gas, wireless, and power generation and industrial projects. For example, pipeline projects were negatively impacted by flooding conditions we experienced on our Marcellus Shale basin pipeline projects in the second half of 2011. Severe flooding in the northeastern United States, caused by above average rainfall, coupled with the effects of Hurricane Irene in August and Tropical Storm Lee in September, hurt our pipeline projects in the Marcellus shale basin, resulting in approximately $24 million of project losses in 2011. In addition, we experienced higher labor costs on wireless projects as a result of certain growth-related project inefficiencies. Our power generation and industrial projects were negatively affected by lower levels of utilization as a result of decreased revenues as well as from competitive pressure on pricing. Our 2011 wage and employee costs also include the impact of a $6 million charge related to our multi-employer pension plans. In November 2011, we voluntarily withdrew from one of the multi-employer pension plans in which we participate. See Note 13 – Other Retirement Plans and Note 17 – Commitments and Contingencies in the notes to the consolidated financial statements for additional details. Fuel costs also increased by approximately 30 basis points as a percentage of revenue, driven by higher fuel prices and increased levels of fuel consumption to support growth in project work.

Depreciation and amortization. Depreciation and amortization was $74 million for the year ended December 31, 2011, as compared with $57 million for the same period in 2010, representing an increase of $17.3 million, or 30.4%. The increase was driven by $9 million of acquisition-related depreciation and amortization, as well as $13 million of higher organic business depreciation expense, offset in part by a decrease of approximately $5 million in amortization expense from historical acquisitions. The increase in organic business depreciation expense resulted from current year capital spending, primarily on equipment acquired in order to perform oil and gas and wireless projects, which increased depreciation expense by approximately $6 million, as well as an increase of approximately $7 million in depreciation expense on certain equipment held under capital leases, which had previously been held under operating leases. The increase in depreciation expense from the lease reclassification was offset, in part, by a decrease in rent expense, which is recorded within costs of revenue, excluding depreciation and amortization. See Note 11 - Lease Obligations in the notes to the consolidated financial statements for additional details.

General and administrative expenses. General and administrative expenses were $133 million, or 4.7% of revenue, for the year ended December 31, 2011 as compared with $112 million, or 5.2% of revenue, for the same period in 2010, representing an increase of $20 million, or 18.2%. The dollar increase resulted largely from approximately $12 million of costs associated with recently acquired businesses and approximately $8 million from organic business growth. Included within the organic business growth are acquisition-related transaction costs of approximately $2 million. As a percentage of revenue, general and administrative expenses decreased approximately 50 basis points. This decrease was attributable to improved leveraging of overall administrative labor and other costs, which increased at a lower rate than the increase in revenue for the corresponding period.

Interest expense, net. Interest expense, net of interest income, was $34 million, or 1.2% of revenue, for the year ended December 31, 2011, as compared with $29 million, or 1.4% of revenue, for the same period in 2010, representing an increase of $5 million. This increase was largely attributable to $4 million of discount accretion associated with our New Convertible Notes and an increase in interest expense of approximately $1 million related to our credit facility. These increases were partially offset by a decrease in interest expense on equipment notes. In the fourth quarter of 2010, we refinanced $13 million of 7.05% equipment notes with a new equipment note bearing interest at approximately 3.53% per annum.

Other (income) expense, net. Other income, net, was $29 million for the year ended December 31, 2011, as compared with other expense, net, of $1 million for the year ended December 31, 2010. The increase in other income, net, is largely attributable to a $29 million gain on remeasurement of our equity investment in EC Source, which was acquired in May 2011.

Income taxes. Income taxes were $62 million for the year ended December 31, 2011, as compared with $48 million for the year ended December 31, 2010, representing an increase of $14 million. This increase is primarily due to higher taxable income, partially offset by the impact of a lower tax rate. Our effective tax rate on income from continuing operations was 38.8% for the year ended December 31, 2011 as compared with an effective tax rate of 42.0% for the year ended December 31, 2010. The lower 2011 tax rate is principally attributable to a higher deduction from the Internal Revenue Code Section 199 production activity deduction in 2011. Prior to 2011, these deductions were only available to us on a limited basis as we were benefiting from the use of net operating loss carryforwards.

Income from discontinued operations. Income from discontinued operations, net of tax, was $9 million for the year ended December 31, 2011 as compared with $24 million in the prior year, a decrease of approximately $16 million. This decrease was due, in large part, to an after-tax increase of approximately $17 million for certain commissions paid by DirectStar in 2011 as compared with 2010. See Note 4 – Discontinued

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Operations in the notes to the consolidated financial statements.

Segments

Reorganization and Reportable Segments

In December 2012, MasTec completed a management reorganization resulting in four internal groups consisting of Communications, Oil and Gas, Electrical Transmission and Power Generation and Industrial. Each is led by a single Group President and each is a reportable segment as defined in ASC 280, Segment Reporting. The reorganization focused on concentrating business development efforts and resources based upon broad end-user markets for our construction services. The reorganization began informally in late 2011, after the completion of five acquisitions, and continued during 2012 by hiring group management and modifying reporting lines accordingly. Our 2012 organizational changes were significant. The combination of the entities into each of the four groups is intended to enable each group to achieve better growth, better management and better profitability by leveraging customer relationships to increase cross-selling, offering greater geographic coverage to our customers and achieving higher utilization and efficiency from both employees and equipment.

For instance, the Communications Group includes the Company's install-to-the-home, wireless and wireline businesses. We believe that integrating all of our communications businesses enhances our ability to take full advantage of all of the opportunities in what has become one commingled and converging communications market. Our Communications Group infrastructure construction services support a continually converging set of end user service offerings. For example, telephone companies, cable television and satellite television operators now offer bundled telephony, video, data and internet services. We believe this revised organizational structure will help us to better cross-sell and grow revenues in what is now a single communications market. In addition, communications network construction and maintenance utilizes substantially the same employee skill sets and equipment to perform similar work. We expect that a single Group President should be able to improve costs and productivity more effectively by sharing people and equipment throughout all communications projects. Accordingly, in order to realize these objectives and to maximize opportunities in a converging communications market, we have organized these businesses into a single segment under a single leader.

Comparison of Fiscal Year Results by Segment

Management reviews our operating results by reportable segment. Our reportable segments are: (1) Communications; (2) Oil and Gas; (3) Electrical Transmission; (4) Power Generation and Industrial, and (5) Other. Management's review of the reportable segments includes analyses of trends in revenue and EBITDA. The following table presents, for our continuing operations businesses, revenue and EBITDA by segment for the periods indicated (dollar amounts in millions):

	Revenue - Continuing Operations			EBITDA and EBITDA Margin - Continuing Operations					
	Years Ended December 31,			Years Ended December 31,					
Reportable Segment	2012	2011	2010	2012		2011		2010	
Communications	$1,772.7	$1,635.1	$1,190.6	$192.0	10.8 %	$154.3	9.4 %	$107.9	9.1 %
Oil and Gas	959.0	774.3	562.6	99.4	10.4 %	80.1	10.4 %	111.3	19.8 %
Electrical Transmission	312.2	198.3	67.0	38.7	12.4 %	28.7	14.5 %	(3.7)	(5.5)%
Power Generation and Industrial	668.1	219.6	325.6	32.0	4.8 %	(3.2)	(1.4)%	16.9	5.2 %
Other	16.7	4.8	0.2	2.0	11.7 %	0.4	5.5 %	(1.0)	(533.9)%
Eliminations	(1.9)	(0.8)	(3.0)	—	— %	—	— %	—	— %

Corporate	—	—	—	(42.0	)	N/A	7.6	N/A		(31.3	)	N/A
Consolidated Results-Continuing Operations	$3,726.8	$2,831.3	$2,143.0	$322.1	8.6	%	$267.9	9.5	%	$200.1	9.3	%

Comparison of Years Ended December 31, 2012 and 2011 - Segments

Communications

Revenue. Communications revenue was $1.8 billion in 2012, compared to $1.6 billion in 2011, an increase of $138 million, or 8.4%. Of this increase, $65 million was attributable to acquired businesses. Revenues were favorably affected by demand for our install-to-the-home, wireline and utility services. Key customers driving this growth included DIRECTV®, CenturyLink and Atmos Energy Corporation. Install-to-the-home project activity increased by approximately $59 million, including approximately $52 million of revenue from acquired businesses. Our wireline and utility revenues increased by approximately $77 million, driven primarily by broadband stimulus projects and growth in natural gas transmission and distribution activities.

EBITDA. EBITDA for our Communications segment was $192 million, or 10.8% of revenue, for the year ended December 31, 2012, compared to $154 million, or 9.4% of revenue in 2011, a $38 million, or 24.4% increase. The dollar increase is attributable, in part, to increased revenues, which contributed approximately $12 million of incremental EBITDA. As a percentage of revenue, EBITDA increased approximately

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140 basis points or approximately $25 million, driven primarily by a 130 basis point decrease in costs of revenue, excluding depreciation and amortization. Wage and salary expense, including subcontractor costs, as a percentage of revenue decreased by 50 basis points in 2012. In addition, material costs as a percentage of revenue decreased by 70 basis points in 2012 as compared with 2011.

Oil and Gas

Revenue. Oil and Gas revenue was $959 million for year ended December 31, 2012, compared to $774 million in 2011, representing an increase of $185 million, or 23.9%. Of this increase, $56 million, or approximately 30%, was attributable to acquired businesses. Organic revenues from natural gas and petroleum pipeline projects, including those in the various natural gas shale basins, for customers such as Enbridge, Inc., Chesapeake Midstream Partners LP, DCP Midstream and Energy Transfer Company increased by approximately $129 million.

EBITDA. EBITDA for our Oil and Gas segment was $99 million for the year ended December 31, 2012, compared to $80 million in 2011, or 10.4% of revenue in both years, an increase of $19 million, or 24.1%. The dollar increase is primarily attributable to higher revenues. As a percentage of revenue, EBITDA was flat. Project losses on two pipeline projects in the Marcellus shale basin of approximately $36 million in 2012 and $19 million in 2011 have suppressed average margins in both years. Year over year EBITDA results were also affected by a charge of approximately $6 million that we recorded in 2011 related to our multi-employer pension plans. In November 2011, we voluntarily withdrew from one of the multi-employer pension plans in which we participate. See Note 13 - Other Retirement Plans and Note 17 - Commitments and Contingencies in the notes to the consolidated financial statements for additional information.

Electrical Transmission

Revenue. Electrical Transmission revenues were $312 million for the year ended December 31, 2012, as compared with $198 million in 2011, representing an increase of $114 million, or 57.4%, driven largely by $87 million of increased revenues from a large transmission project in Utah. In addition, business development efforts led by new members of the electrical transmission management team contributed approximately $27 million of incremental revenue in 2012. Of the total revenue growth of $114 million, EC Source acquisition growth contributed approximately $56 million.

EBITDA. EBITDA for our Electrical Transmission segment was $39 million, or 12.4% of revenue for the year ended December 31, 2012, compared to EBITDA of $29 million, or 14.5% of revenue in 2011, an increase of $10 million. The dollar increase is attributable to $17 million of increased revenues, partially offset by $7 million resulting from a 210 basis point decrease in EBITDA margins. The decrease in EBITDA margins was driven primarily by higher than expected costs on several projects in our legacy non-union transmission business. These projects experienced cost overruns as a result of unanticipated project delays, poor weather conditions, difficult terrain and changes in customer requirements.

Power Generation and Industrial

Revenue. Power Generation and Industrial revenues were $668 million for the year ended December 31, 2012, compared to $220 million in 2011, an increase of $449 million, or over 200%. The increase in revenue was driven largely by customers seeking to complete wind installation projects under the current federal production tax credit program, which required that qualified facilities be placed in service by December 31, 2012. In addition to wind projects, solar project activity increased by $92 million versus the prior year. The recently renewed wind tax credits have been structured around start dates, rather than completion dates, in order to qualify for the tax credit, which should have the impact of reducing volatility in construction demand.

EBITDA. EBITDA for our Power Generation and Industrial segment was $32 million, or 4.8% of revenue for the year ended December 31, 2012, compared to negative EBITDA of $3 million, or 1.4% of revenue in 2011, a $35 million increase. This increase is primarily attributable to the significant increase in revenue, as discussed above, which drove the Power Generation and Industrial segment from a position of underutilization of overhead capacity in 2011 to full utilization of labor, equipment and overhead in 2012. Despite low levels of project activity in 2011, the Power Generation and Industrial segment maintained its capacity levels in anticipation of 2012 revenue growth, resulting in low levels of overhead cost utilization. In addition, the Power Generation and Industrial segment experienced intense pricing pressures in 2011, which led to lower margins on bid work and negatively affected project margins.

Other

Revenue. Revenue from Other businesses was $17 million for year ended December 31, 2012, compared to $5 million in 2011, an increase of $12 million, or almost 250% This increase resulted from a new project in our international division to secure a fiber optic circuit and build a central office facility.

EBITDA. EBITDA from Other businesses was $2 million, or 11.7% of revenue, for the year ended December 31, 2012, compared to $0.4 million of EBITDA in 2011, or 5.5% of revenue in 2011, a $1.6 million increase. The increase is primarily attributable to increased revenues, as described above.

Eliminations

Revenue. Elimination balances represent the offset to intersegment revenues that have been reflected within each reportable segment's gross revenues. In 2012, we had $1.9 million of intercompany revenue between our reportable segments compared to $0.8 million in 2011.

Corporate

EBITDA. Certain of our corporate costs are not allocated to our reportable segments, including certain administrative costs, professional fees and acquisition costs. Corporate information technology costs are allocated to our reportable segments based on estimated usage. EBITDA for our Corporate segment was negative $42 million for the year ended December 31, 2012, compared to positive EBITDA of $8 million in December 31, 2011, a $50 million decrease. The decrease was due, in large part, to a $29 million non-cash gain on remeasurement of our equity investment in EC Source, which we acquired in 2011. Additionally, in the third quarter of 2012, we recorded a legal settlement reserve of approximately $10 million in connection with the Sintel legal matter and our insurance costs increased approximately $5 million in 2012 as compared with 2011.

Comparison of Years Ended December 31, 2011 and 2010 - Segments

Communications

Revenue. Communications revenue was $1.6 billion for year ended December 31, 2011, compared to $1.2 billion in 2010, an increase of $445 million, or 37.3%. Of this increase, $86.7 million was attributable to businesses acquired during 2011. Revenues were favorably affected by demand for our wireless, install-to-the-home, wireline and utility services. Key customers driving this growth included AT&T and DIRECTV®. Continuing investments in new infrastructure for wireless technology, in addition to expansion of the geographic areas in which we do project work, yielded over $230 million of higher revenues from wireless projects in 2011 as compared with 2010. Of this increase, approximately $27 million was derived from acquired businesses. Install-to-the-home project activity increased by approximately $130 million, including approximately $60 million of revenue from acquired businesses. Our wireline and utility projects also grew in 2011, with an increase of approximately $80 million in revenue driven primarily by broadband stimulus projects and growth in electrical utility and natural gas transmission and distribution activities.

EBITDA. EBITDA for our Communications segment was $154 million, or 9.4% of revenue, for the year ended December 31, 2011, compared to $108 million, or 9.1% of revenue in 2010, a $46 million, or 43.0% increase. The dollar increase is largely attributable to increased revenues, as described above, which contributed approximately $40 million of incremental EBITDA. As a percentage of revenue, EBITDA increased approximately 40 basis points, or approximately $6.4 million driven primarily by a 50 basis point decrease in general and administrative expenses as a percentage of revenue. Administrative labor and other costs increased at a lower rate than the increase in revenue for the corresponding period, which resulted in improved cost leveraging. The decrease in general and administrative costs as a percentage of revenue was partially offset by an increase in costs of revenue, excluding depreciation and amortization, as a percentage of revenue. Labor and subcontractor costs increased by approximately 50 basis points as a percentage of revenue due to growth-related project inefficiencies. Fuel costs increased by approximately 40 basis points as a percentage of revenue due to higher fuel prices and increased levels of fuel consumption to support growth in project work. These increases were partially offset by decreases in equipment rental costs and material costs as a percentage of revenue. Equipment rental costs decreased by approximately 60 basis points as a percentage of revenue. In January 2011, we modified the terms of certain equipment leases, which led to a change in their classification from operating to capital leases. As a result, equipment rental expense decreased for the year ended December 31, 2011 as compared with the prior year. The reduction in equipment rental expense was offset by an increase in depreciation expense.

Oil and Gas

Revenue. Oil and Gas revenue was $774 million for year ended December 31, 2011, compared to $563 million in 2010, representing an increase of $212 million, or 37.6%. Of this increase, $83 million, or approximately 39%, was attributable to businesses acquired during 2011. Oil and Gas revenues increased approximately $90 million, net, from natural gas and petroleum pipeline projects, including those in the various natural gas shale basins for customers such as Energy Transfer Company, EQT Corporation, Talisman Energy, DCP Midstream and Dominion Virginia Power. In addition, we generated approximately $37 million of higher year-over-year revenues from a large pipeline project with El Paso Corporation.

EBITDA. EBITDA for our Oil and Gas segment was $80 million, or 10.4% of revenue for the year ended December 31, 2011, compared to $111 million, or 19.8% of revenue in 2010, a decrease of $31 million, or 28.0%. EBITDA margin decreased by 9.4 percentage points, driven by an increase in costs of revenue, excluding depreciation and amortization. The increase in costs of revenue, excluding depreciation and amortization, is largely attributable to project losses of approximately $24 million on certain pipeline projects in the Marcellus shale basin. Severe flooding in the northeastern United States caused by above average rainfall, coupled with the effects of Hurricane Irene in August and Tropical Storm Lee in September, resulted in increased costs on these projects. Our 2011 Oil and Gas wage and employee costs also include the impact of a $6 million charge related to our multi-employer pension plans. In November 2011, we voluntarily withdrew from one of the multi-employer pension plans in which we participate. See Note 13 - Other Retirement Plans and Note 17 - Commitments and Contingencies in the notes to the consolidated financial statements for additional information.

Electrical Transmission

Revenue. Electrical Transmission revenues were $198 million for the year ended December 31, 2011, as compared with $67 million in 2010, representing an increase of $131 million, or 196%. Of this increase, approximately $96 million was attributable to businesses acquired during 2011 and included project revenues from Mid-American Energy for a large transmission project in Utah. Organic revenue increased by $36 million, or 53%, for the year ended December 31, 2011. This organic growth was the result of business development efforts that were led by new members of the electrical transmission management team.

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EBITDA. EBITDA for our Electrical Transmission segment was $29 million, or 14.5% of revenue for the year ended December 31, 2011, compared to negative EBITDA of $4 million, or 5.5% of revenue in 2010, an increase of $32 million. The improvement in EBITDA was driven by several factors, including the addition of several large transmission projects in connection with the EC Source acquisition with higher than historical-average project margins, which contributed approximately $20 million of incremental EBITDA. In addition, a shift in project mix in our legacy Electrical Transmission businesses to larger project, higher risk, higher voltage, higher margin work, as well as improved overhead leveraging and cost utilization associated with the increase in revenue and cost improvement initiatives, resulted in approximately $12 million of additional EBITDA from our legacy Electrical Transmission businesses.

Power Generation and Industrial

Revenue. Power Generation and Industrial revenues were $220 million for year ended December 31, 2011, compared to $326 million in 2010, a decrease of $106.0 million, or 32.6%. The decrease in revenue was driven by tightened customer access to project financing as well as from delays in timing of customers' capital spending on wind projects.

EBITDA. EBITDA for our Power Generation and Industrial segment was negative $3 million, or (1.4)% of revenue for the year ended December 31, 2011, compared to EBITDA of $17 million, or 5.2% of revenue in 2010, a $20 million decrease. Approximately $6 million of the $20 million decrease is attributable to lower revenues, as described above. EBITDA margin decreased by 6.6 percentage points for an aggregate impact of $14 million. This decline in EBITDA and EBITDA margin was driven by higher materials costs, lower overhead utilization and intensified pricing pressures. In 2011, our mix of project work comprised projects that had 4.1% higher material costs as a percent of revenue than our projects in 2010. The remaining decrease in Power Generation and Industrial EBITDA of approximately 250 basis points as a percentage of revenue resulted from intensified competitive pricing pressures in 2011, which led to lower margins on bid work, as well as lower levels of overhead cost utilization as a result of maintaining capacity levels in anticipation of future revenue growth.

Other

Revenue. Revenue from Other businesses was $5 million for year ended December 31, 2011, compared to $0.2 million in 2010, an increase of $4.7 million. This increase resulted from higher levels of wireless infrastructure activity in Mexico.

EBITDA. EBITDA from Other businesses was $0.4 million, or 5.5% of revenue, for the year ended December 31, 2011, compared to negative $1.0 million of EBITDA in 2010, a $1.4 million increase. The increase is attributable to increased revenues, as described above.

Eliminations

Revenue. Elimination balances represent the offset to intersegment revenues that have been reflected within the reportable segments' gross revenues. In 2011, we had $0.8 million of intercompany revenue between our reportable segments compared to $3.0 million in 2010.

Corporate

EBITDA. Certain of our corporate costs are not allocated to our reportable segments, including certain administrative costs, professional fees and acquisition costs. Corporate information technology costs are allocated to our reportable segments based on estimated usage. EBITDA for our Corporate segment was $8 million for the year ended December 31, 2011, compared to negative EBITDA of $31 million in 2010, a $39 million increase. The increase was, in large part, attributable to a $29 million non-cash gain on remeasurement of our equity investment in EC Source, which we acquired in May 2011. In addition, in 2011, we had a reduction in insurance expense due to better than expected experience, which reduced our Corporate costs by approximately $7 million. Acquisition-related transaction costs of approximately $2 million also contributed to higher general and administrative expenses.

Foreign Operations

We have operations in Canada as well as in parts of Latin America and the Caribbean. For the years ended December 31, 2012, 2011 and 2010, revenues from continuing operations of $157 million, $92 million and $0.2 million, respectively, were derived from foreign operations, and revenues of $3.6 billion, $2.7 billion and $2.1 billion, respectively, were derived in the United States. For the years ended December 31, 2012, 2011 and 2010, revenues within the results of operations from discontinued operations of $6 million, $12 million and $3 million respectively, were derived from foreign operations, with revenues of $73 million, $165 million and $162 million, respectively, derived in the United States. Long-lived assets held in foreign countries includes property and equipment, net, of $13 million and $13 million as of December 31, 2012 and 2011, respectively, of which $2 million and $2 million, respectively, were classified within long-term assets of discontinued operations. Intangible assets and goodwill, net, of $31 million and $30 million as of December 31, 2012 and 2011, respectively were held in foreign countries, none of which was classified within long-term assets of discontinued operations.

Diluted Weighted Average Shares Outstanding

	For the Years Ended December 31,		
	2012	2011	2010
Diluted weighted average shares outstanding (in thousands)	82,087	86,716	90,885

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We had 82.1 million diluted shares outstanding for the year ended December 31, 2012 as compared with 86.7 million shares outstanding in 2011. The reduction in our diluted share count in 2012 resulted from the repurchase of 9.5 million shares of our common stock, or 6.5 million shares on a weighted average basis, under a share repurchase program approved by our Board of Directors in the fourth quarter of 2011. The reduction in our diluted share count from the repurchased shares was partially offset by the full year impact of 5.1 million shares we issued in connection with the acquisition of EC Source in the second quarter of 2011, which resulted in 1.7 million additional weighted average shares in 2012.

Our diluted share count decreased to 86.7 million shares in 2011 from 90.9 million shares in 2010. The exchange of 94% of our Original Convertible Notes for New Convertible Notes in the first quarter of 2011 resulted in 10.4 million fewer shares in our diluted share count in 2011 as compared with 2010. In addition, we repurchased 4.6 million shares under our share repurchase program during 2011, which reduced our 2011 diluted average share count by 0.6 million shares. These decreases were partially offset by the issuance of 5.1 million shares in connection with the EC Source business combination in May of 2011 and the issuance of 1.9 million shares in December 2010 in connection with a purchase agreement amendment for one of our historical acquisitions.

See Note 3 – Acquisitions and Other Investments as well as Note 2 – Earnings Per Share in the notes to the consolidated financial statements contained for additional details.

Non-U.S. GAAP Financial Measures

As appropriate, we supplement the reporting of our financial information determined in accordance with U.S. GAAP with certain non-U.S. GAAP financial measures, including income from continuing operations before non-controlling interests before interest, taxes, depreciation and amortization (“EBITDA”). In addition, we have presented “Adjusted EBITDA,” as well as adjusted income from continuing operations before non-controlling interests (“Adjusted Income From Continuing Operations”) and adjusted diluted earnings per share, continuing operations (“Adjusted Diluted Earnings From Continuing Operations Per Share”). All of these non-U.S GAAP measures exclude the $9.6 million legal settlement reserve we recorded in the third quarter of 2012 and, for 2011, the $29.0 million non-cash gain on remeasurement of our equity investment in EC Source and the $6.4 million multi-employer pension plan charge. See Note 17 - Commitments and Contingencies and Note 3 – Acquisitions and Other Investments in the notes to the consolidated financial statements for additional details.

We believe these non-U.S. GAAP measures provide meaningful information that helps investors understand our financial results and assess our prospects for future performance. Because non-U.S. GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-U.S. GAAP financial measures having the same or similar names. These financial measures should not be considered in isolation or as a substitute for reported income from continuing operations before non-controlling interests, diluted earnings per share, continuing operations, and net cash provided by operating activities. These non-U.S. GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our U.S. GAAP results and the provided reconciliations to the corresponding U.S. GAAP financial measures, provide a more complete understanding of our business. We strongly encourage investors and shareholders to review our consolidated financial statements and publicly filed reports in their entirety and not rely on any single financial measure.

EBITDA and Adjusted EBITDA

EBITDA is a non-U.S. GAAP financial measure that reflects income from continuing operations before non-controlling interests excluding the impact of interest expense, provision for income taxes, depreciation and amortization. Adjusted EBITDA, which is a non-U.S. GAAP financial measure, is calculated for the year ended December 31, 2012 as EBITDA excluding the $9.6 million legal settlement reserve we recorded in the third quarter of 2012. Adjusted EBITDA for the year ended December 31, 2011 is calculated as EBITDA excluding the $29.0 million non-cash gain on remeasurement of our equity investment in EC Source, which was recorded in the second quarter of 2011, and also excluding the $6.4 million multi-employer pension plan charge we recorded in the fourth quarter of 2011. We use EBITDA and Adjusted EBITDA to evaluate our performance, both internally and versus our peers, because it excludes certain items that may not be indicative of our core operating results, as well as items that can vary widely across different industries or among companies within the same industry. Management also considers EBITDA and Adjusted EBITDA as indicators of our ability to generate cash to service debt, fund capital expenditures and expand our business.

Interest expense can be dependent upon a company's capital structure, debt levels and credit ratings. Accordingly, the impact of interest expense on earnings can vary significantly among companies. During 2012, our interest expense increased as a result of higher average balances outstanding under our Credit Facility. During 2011, our interest expense increased as a result of accretion expense associated with the New Convertible Notes, which were issued during the first quarter of 2011. The debt discount associated with these notes will be accreted to interest expense over the remaining terms of the New Convertible Notes, which will increase interest expense above the New Convertible Notes' 4.0% and 4.25% cash coupon interest rates.

Tax positions of companies can vary because of differing abilities to take advantage of tax benefits and because of the tax policies of the jurisdictions in which they operate. As a result, effective tax rates and provisions for income taxes can vary considerably among companies and over time. For example, our effective tax rate on income from continuing operations for the year ended December 31, 2012 increased to 39.5% from 38.8% for the year ended December 31, 2011.

The table below summarizes our effective tax rates from continuing operations for the periods indicated:

	For the Years Ended December 31,		
	2012	2011	2010
Effective tax rate	39.5%	38.8%	42.0%

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Depreciation and amortization can also affect comparability because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets. These differences can result in considerable variability in the relative costs of productive assets and depreciation and amortization expense among companies.

EBITDA and Adjusted EBITDA should not be considered in isolation from, and are not intended to represent an alternative measure of, income from continuing operations before non-controlling interests or net cash provided by operating activities as determined in accordance with U.S. GAAP. The definitions of EBITDA and Adjusted EBITDA above are not the same as in our credit facility or in the indentures governing our notes; therefore, EBITDA and Adjusted EBITDA as presented in this discussion should not be used for purposes of determining our compliance with related covenants.

The following table reflects a reconciliation of EBITDA and Adjusted EBITDA to income from continuing operations before non-controlling interests, in dollar and percentage of revenue terms, for the periods indicated (dollar amounts in millions). The table below may contain slight summation differences due to rounding.

	For the Years Ended December 31,								
EBITDA Reconciliation:	2012			2011			2010		
Income from continuing operations before non-controlling interests	$116.6	3.1	%	$97.5	3.4	%	$66.1	3.1	%
Interest expense, net	37.4	1.0	%	34.5	1.2	%	29.2	1.4	%
Provision for income taxes	76.1	2.0	%	61.8	2.2	%	47.9	2.2	%
Depreciation and amortization	92.0	2.5	%	74.2	2.6	%	56.9	2.7	%
EBITDA – Continuing Operations	$322.1	8.6	%	$267.9	9.5	%	$200.1	9.3	%
Legal settlement reserve	9.6	0.3	%	—	—	%	—	—	%
Gain from remeasurement of equity interest in acquiree	—	—	%	(29.0)	(1.0	)%	—		