MASTEC INC
Form 10-Q
October 30, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014
Commission File Number 001-08106

MasTec, Inc. (Exact Name of Registrant as Specified in Its Charter)	
Florida (State or Other jurisdiction of Incorporation or Organization)	65-0829355 (I.R.S. Employer Identification No.)
800 S. Douglas Road, 12th Floor, Coral Gables, FL (Address of Principal Executive Offices)	33134 (Zip Code)
(305) 599-1800 (Registrant's Telephone Number, Including Area Code)	

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 þ 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 þ No ¨
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):

Large accelerated filer	þ	Non-accelerated filer	¨
Accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is shell company (as defined in Rule 12b-2 of the Act.) Yes ¨ No þ
As of October 27, 2014, MasTec, Inc. had 81,875,111 shares of common stock, $0.10 par value, outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MASTEC, INC.
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue	$1,309,596	$1,269,385	$3,378,180	$3,165,657
Costs of revenue, excluding depreciation and amortization	1,122,961	1,081,132	2,914,904	2,695,287
Depreciation and amortization	41,747	37,756	111,996	103,111
General and administrative expenses	59,889	58,976	167,454	159,761
Interest expense, net	12,643	12,666	37,595	34,549
Loss on extinguishment of debt	—	—	—	5,624
Other income, net	(1,416)	(2,778)	(5,424)	(3,283)
Income from continuing operations before income taxes	$73,772	$81,633	$151,655	$170,608
Provision for income taxes	(28,042)	(31,698)	(57,671)	(65,822)
Net income from continuing operations	$45,730	$49,935	$93,984	$104,786
Discontinued operations:				
Net loss from discontinued operations, including loss on disposal and impairment charges (See Note 4)	$(320)	$(3,735)	$(592)	$(5,165)
Net income	$45,410	$46,200	$93,392	$99,621
Net income attributable to non-controlling interests	139	62	48	172
Net income attributable to MasTec, Inc.	$45,271	$46,138	$93,344	$99,449
Earnings per share: (See Note 2)				
Basic earnings (loss) per share:				
Continuing operations	$0.56	$0.65	$1.19	$1.36
Discontinued operations	(0.00)	(0.05)	(0.01)	(0.07)
Total basic earnings per share [a]	$0.55	$0.60	$1.18	$1.29
Basic weighted average common shares outstanding	81,811	77,093	79,158	76,816
Diluted earnings (loss) per share:				
Continuing operations	$0.53	$0.59	$1.09	$1.24
Discontinued operations	(0.00)	(0.04)	(0.01)	(0.06)
Total diluted earnings per share [a]	$0.53	$0.54	$1.08	$1.18
Diluted weighted average common shares outstanding	85,824	85,464	86,416	84,733

(a) Earnings per share calculations may contain slight summation differences due to rounding.

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

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MASTEC, INC.
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	$45,410	$46,200	$93,392	$99,621
Other comprehensive (loss) income:				
Foreign currency translation adjustments, net of tax (See Note 13)	(12,944)	2,936	(10,601)	(3,839)
Changes in value of available-for-sale securities, net of tax (See Note 13)	—	(92)	—	(558)
Other comprehensive (loss) income	$(12,944)	$2,844	$(10,601)	$(4,397)
Comprehensive income	$32,466	$49,044	$82,791	$95,224
Comprehensive income attributable to non-controlling interests	139	62	48	172
Comprehensive income attributable to MasTec, Inc.	$32,327	$48,982	$82,743	$95,052

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

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MASTEC, INC.
CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	September 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$7,067	$22,927
Accounts receivable, net of allowance	1,389,903	1,134,693
Inventories, net	105,038	70,185
Prepaid expenses and other current assets, including discontinued operations (See Note 4)	71,944	79,221
Total current assets	$1,573,952	$1,307,026
Property and equipment, net	614,359	488,132
Goodwill	1,000,024	902,044
Other intangible assets, net	222,212	165,606
Other long-term assets, including discontinued operations (See Note 4)	59,579	60,390
Total assets	$3,470,126	$2,923,198
Liabilities and Equity		
Current liabilities		
Current maturities of long-term debt	$71,798	$51,376
Accounts payable	481,840	424,917
Accrued salaries and wages	82,083	66,455
Other accrued expenses	82,054	71,448
Acquisition-related contingent consideration, current	39,126	67,226
Billings in excess of costs and earnings	130,997	121,641
Other current liabilities, including discontinued operations (See Note 4)	22,976	26,162
Total current liabilities	$910,874	$829,225
Acquisition-related contingent consideration, net of current portion	115,649	112,370
Long-term debt	1,088,289	765,425
Long-term deferred tax liabilities, net	180,449	154,763
Other liabilities	45,978	40,357
Total liabilities	$2,341,239	$1,902,140
Commitments and contingencies (See Note 16)		
Equity		
Preferred stock, $1.00 par value: authorized shares - 5,000,000; issued and outstanding shares – none	$—	$—
Common stock, $0.10 par value: authorized shares - 145,000,000; issued shares - 87,106,042 and 86,725,372 as of September 30, 2014 and December 31, 2013, respectively	8,711	8,672
Capital surplus	781,400	822,836
Contributed shares	6,002	6,002
Retained earnings	435,208	341,864
Accumulated other comprehensive loss	(23,887)	(13,286)
Treasury stock, at cost: 5,262,831 and 9,467,286 shares as of September 30, 2014 and December 31, 2013, respectively	(83,385)	(150,000)
Total MasTec, Inc. shareholders' equity	$1,124,049	$1,016,088

Non-controlling interests	$4,838	$4,970
Total equity	$1,128,887	$1,021,058
Total liabilities and equity	$3,470,126	$2,923,198

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

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MASTEC, INC.
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Nine Months Ended September 30, 2014	2013
Cash flows from operating activities:		
Net income	$93,392	$99,621
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	111,996	103,111
Non-cash interest expense, including write-off of deferred financing costs on redeemed debt	6,052	8,397
Non-cash stock-based compensation expense	11,584	9,647
Excess tax benefit from stock-based compensation	(3,494)	(4,446)
Provision for deferred income taxes	4,294	9,439
Provision for losses on construction projects, net	(497)	2,125
Provision for losses on operating assets	1,136	6,300
(Gains) losses on sales of assets, including impairment charges on discontinued operations	(4,068)	1,152
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(131,175)	(271,010)
Inventories	(27,553)	20,484
Other assets, current and non-current portion	5,202	18,610
Accounts payable and accrued expenses	14,521	126,784
Billings in excess of costs and earnings	4,171	(19,776)
Book overdrafts	(10,399)	2,791
Other liabilities, current and non-current portion	5,857	16,027
Net cash provided by operating activities	$81,019	$129,256
Cash flows (used in) provided by investing activities:		
Cash paid for acquisitions, net of cash acquired	(162,901)	(146,598)
Capital expenditures	(90,962)	(101,411)
Proceeds from sale of property and equipment	12,204	8,288
Proceeds from disposal of business, net of cash divested	—	(4,332)
(Payments for) proceeds from other investments, net	(1,046)	3,852
Net cash used in investing activities	$(242,705)	$(240,201)
Cash flows provided by (used in) financing activities:		
Proceeds from credit facility	1,319,623	766,154
Repayments of credit facility	(955,151)	(860,070)
Proceeds from issuance of senior notes	—	400,000
Repayment of senior notes, including convertible notes	(105,325)	(150,000)
Repayments of other borrowings	(15,827)	(24,246)
Payments of capital lease obligations	(38,358)	(32,214)
Proceeds from stock-based awards, net of tax withholdings	318	7,757
Excess tax benefit from stock-based compensation	3,494	4,446
Payments of acquisition-related contingent consideration	(60,341)	(12,848)
Payments of financing costs, including call premiums on extinguishment of debt	(1,455)	(11,835)
Net cash provided by financing activities	$146,978	$87,144
Effect of currency translation on cash	(1,152)	(118)

Net decrease in cash and cash equivalents	$(15,860)	$(23,919)
Cash and cash equivalents - beginning of period	$22,927	$26,767
Cash and cash equivalents - end of period	$7,067	$2,848
Supplemental cash flow information:		
Interest paid	$35,106	$30,851
Income taxes paid, net of refunds	$46,423	$49,722
Supplemental disclosure of non-cash information:		
Equipment acquired under capital lease	$55,488	$82,737
Equipment acquired under financing arrangements	$6,851	$24,100
Acquisition-related contingent consideration, new business combinations	$34,988	$29,971
Premium shares, conversion of convertible notes	$114,785	$—

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

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MASTEC, INC.
NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Business, Basis of Presentation and Significant Accounting Policies
Nature of the Business
MasTec, Inc. (collectively with its subsidiaries, “MasTec” or the “Company”) is a leading infrastructure construction company operating mainly throughout North America across a range of industries. The Company’s primary activities include the engineering, building, installation, maintenance and upgrade of energy, utility and communications infrastructure, such as: petroleum and natural gas pipeline infrastructure; wireless, wireline/fiber and satellite communications; electrical utility transmission and distribution; power generation; and industrial infrastructure. MasTec’s customers are in these industries. MasTec reports its results in five reportable segments: (1) Communications; (2) Oil and Gas; (3) Electrical Transmission; (4) Power Generation and Industrial; and (5) Other. See Note 15 - Segments and Related Information.
Basis of Presentation
The accompanying condensed unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Pursuant to these rules and regulations, certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The accompanying condensed consolidated balance sheet as of December 31, 2013 is derived from the Company’s audited financial statements as of that date. Because certain information and footnote disclosures have been condensed or omitted, these condensed unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2013 contained in the Company’s most recent Annual Report on Form 10-K. In management’s opinion, all normal and recurring adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented have been included. Certain prior year amounts have been reclassified to conform to the current period presentation. Interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. The Company believes that the disclosures made in these condensed unaudited consolidated financial statements are adequate to make the information not misleading.
Principles of Consolidation
The accompanying condensed unaudited consolidated financial statements include MasTec, Inc. and its subsidiaries and include the accounts of all majority owned subsidiaries over which the Company exercises control and, when applicable, entities in which the Company has a controlling financial interest. Other parties’ interests in companies for which MasTec exercises control and has a controlling financial interest are reported as non-controlling interests within equity. Net income or loss attributable to non-controlling interests is reported as a separate line item below net income. The Company’s investments in entities in which the Company does not have a controlling interest, but has the ability to exert significant influence, are accounted for using the equity method of accounting. Equity method investments are recorded as long-term assets in the condensed unaudited consolidated balance sheets. Income or loss from these investments is recorded in other income or expense, net, in the condensed unaudited consolidated statements of operations. The Company's investments in entities in which the Company does not have the ability to exert significant influence are accounted for using the cost method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation. The assets and liabilities of foreign subsidiaries are translated into U.S. dollars at period-end exchange rates, with resulting translation gains or losses accumulated within other comprehensive income or loss. Revenue and expenses are translated into U.S. dollars at average rates of exchange prevailing during the applicable period. Gains or losses resulting from transactions executed in a foreign currency are included in other income or expense, net. The Company does not currently have any subsidiaries that operate in highly inflationary environments. The results of operations and financial position of any discontinued operations are aggregated and presented separately from the Company's continuing operations in the condensed unaudited consolidated financial statements for all periods presented.

Investments in Affiliates and Other Entities

In the ordinary course of business, the Company enters into various investment arrangements, which may include equity or other interests in business entities, including contractual joint ventures or other forms of equity participation. These investment arrangements may also include certain forms of financing, such as the extension of loans. In connection with certain of these investment arrangements, the Company provides infrastructure construction services to or through its equity investees and/or contractual joint ventures. Management determines whether such investment arrangements involve a variable interest entity ("VIE") based on the characteristics of the particular entity. If an entity is determined to be a VIE, then management determines if the Company is the primary beneficiary of the entity and whether or not consolidation of the VIE within the Company's financial statements is required. The primary beneficiary consolidating the VIE must normally have both (i) the power to direct the activities of a VIE that most significantly affect the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE, which, in either case, could be significant to the VIE. If management determines that the Company is the primary beneficiary of a VIE, then the VIE would be consolidated, and the other party's equity interest in the VIE would be accounted for as a non-controlling interest. As of September 30, 2014, the Company was not the primary beneficiary of any VIE. In cases where the Company has an undivided interest in the assets, liabilities, revenues and profits of an unincorporated entity, such amounts are consolidated on a basis proportional to the Company's ownership interest in the unincorporated entity.

Management Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Key estimates include: the recognition of revenue and gross profit or

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loss, in particular, on long-term construction contracts, which rely upon estimates of costs to complete projects, ultimate project gross profit and the amount of contract price adjustments that are probable; allowances for doubtful accounts; accrued self-insured claims; estimated fair values of goodwill and intangible assets, acquisition-related contingent consideration, convertible debt obligations and investments in cost and equity method investees; asset lives used in computing depreciation and amortization, including amortization of intangible assets; share-based compensation; accounting for income taxes; and the estimated impact of contingencies and ongoing litigation. While management believes that such estimates are fair when considered in conjunction with the consolidated financial position and results of operations taken as a whole, actual results could differ from those estimates and such differences may be material to the condensed unaudited consolidated financial statements.

Significant Accounting Policies

Revenue Recognition

Revenues are derived from projects performed under master and other service agreements as well as from fixed price contracts for specific projects or jobs requiring the construction and installation of an entire infrastructure system or specified units within an entire infrastructure system. Revenue and related costs for master and other service agreements billed on a time and materials basis are recognized as the services are rendered. The Company also performs services under master and other service agreements on a fixed fee basis, under which MasTec furnishes specified units of service for a fixed price per unit of service and revenue is recognized as the services are rendered. Revenues from fixed price contracts provide for a fixed amount of revenue for the entire project, subject to certain additions for changed scope or specifications. Revenues from these contracts are recognized using the percentage-of-completion method. Under this method, the percentage of revenue to be recognized for a given project is measured by the percentage of costs incurred to date on the contract to the total estimated costs for the contract. Such contracts provide that the customer accept completion of progress to date and compensate the Company for services rendered, which may be measured in terms of costs incurred, units installed, hours expended or some other measure of progress.

The Company may incur costs subject to change orders, whether approved or unapproved by the customer, and/or claims related to certain contracts. Management determines 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. The Company treats project costs as a cost of contract performance in the period incurred if it is not probable that the costs will be recovered, or defers costs and/or recognizes 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. As of September 30, 2014 and December 31, 2013, the Company had approximately $78 million and $79 million, respectively, of change orders and/or claims that had been included as contract price adjustments on certain contracts that were in the process of being resolved in the normal course of business, including through negotiation, in arbitration and other proceedings. These contract price adjustments represent management's best estimate of additional contract revenues that have been or will be earned and that management believes are probable of collection. The amounts ultimately realized upon final acceptance by its customers could be higher or lower than such estimated amounts, which are primarily expected to be billed and collected within one year.

Except for adoption of the accounting pronouncement discussed below, there have been no material changes to the significant accounting policies described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

New Accounting Pronouncements

Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of this ASU is that a company will recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance and will be required to disclose information about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including disclosure of assumptions and estimates where significant judgment has been applied. ASU 2014-09 is effective using

either the retrospective or cumulative effect transition method for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early application is not permitted. The Company is currently evaluating the potential impact of this ASU on its consolidated financial statements.
In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"). ASU 2014-08 changes the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Only disposals of components of an entity representing a strategic shift that has, or will have, a major effect on an entity's operations and financial results should be reported as discontinued operations under ASU 2014-08. Examples include a disposal of a major geographical area, a major line of business, or a major equity method investment. ASU 2014-08 also requires expanded disclosures about discontinued operations and requires disclosures about individually significant dispositions that do not qualify as discontinued operations. ASU 2014-08 is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted only for disposals that have not been previously reported. The Company is currently evaluating the potential impact of this ASU on its consolidated financial statements.
Recently Adopted Accounting Pronouncements
In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force) ("ASU 2013-11"). ASU 2013-11 provides guidance on the presentation in the financial statements of an unrecognized tax benefit, or a portion of an unrecognized tax benefit, and explains that unrecognized tax benefits should be presented as a reduction to deferred tax assets for net operating loss carryforwards,

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similar tax losses or tax credit carryforwards. To the extent a net operating loss carryforward, similar tax loss or tax credit carryforward is not available as of the reporting date under the tax law of the applicable jurisdiction, or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. ASU 2013-11 applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists as of the reporting date. ASU 2013-11 is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Retrospective application is permitted. The Company adopted ASU 2013-11 as of January 1, 2014. The adoption of this ASU did not have a material impact on the condensed unaudited consolidated financial statements.

Note 2 – Earnings Per Share

Basic earnings per share is computed by dividing earnings available to MasTec's common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing earnings by the number of fully diluted shares, which includes the effect of dilutive potential issuances of common shares as determined using earnings from continuing operations. The potential issuance of common shares upon the exercise, conversion or vesting of outstanding stock options and unvested restricted share awards, as calculated under the treasury stock method, as well as shares associated with the Company's outstanding convertible debt securities, may be dilutive.

The following table provides details underlying the Company's earnings per share calculations for the periods indicated (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income attributable to MasTec:				
Net income, continuing operations - basic [a]	$45,591	$49,960	$93,936	$104,702
Interest expense, net of tax, 2009 Convertible Notes	20	79	166	236
Net income, continuing operations - diluted	$45,611	$50,039	$94,102	$104,938
Net loss from discontinued operations - basic and diluted [a]	(320)	(3,822)	(592)	(5,253)
Net income attributable to MasTec - diluted	$45,291	$46,217	$93,510	$99,685
Weighted average shares outstanding:				
Weighted average shares outstanding - basic	81,811	77,093	79,158	76,816
Dilutive common stock equivalents	814	775	798	774
Dilutive premium shares, 2011 Convertible Notes	3,005	6,790	5,900	6,337
Dilutive shares, 2009 Convertible Notes	194	806	560	806
Weighted average shares outstanding - diluted	85,824	85,464	86,416	84,733

(a) Calculated as total net income (loss) less amounts attributable to non-controlling interests.

Outstanding Convertibles Notes - Diluted Share Impact

As of September 30, 2014, the Company had $100 million aggregate principal amount of 4.25% senior convertible notes outstanding (the "4.25% Convertible Notes"), composed of $97.0 million of 4.25% Convertible Notes issued in 2011 (the "2011 4.25% Notes") and approximately $3.0 million of 4.25% Convertible Notes issued in 2009 (the "2009 4.25% Notes"). In June 2014, $115 million aggregate principal amount of 4.0% senior convertible notes (the "4.0% Convertible Notes") matured, at which time the holders elected to convert the notes and the Company paid $105.3 million in cash and issued 4.2 million shares of common stock in respect of such notes. The 4.0% Convertible Notes were composed of $105.3 million of 4.0% Convertible Notes issued in 2011 (the "2011 4.0% Notes") and approximately $9.6 million of 4.0% Convertible Notes issued in 2009 (the "2009 4.0% Notes"). The 2009 4.0% Notes and the 2009 4.25% Notes are collectively referred to as the "2009 Convertible Notes," and the 2011 4.0% Notes and the 2011 4.25% Notes are collectively referred to as the "2011 Convertible Notes." See Note 9 - Debt for additional information.

Dilutive shares associated with the 2009 Convertible Notes are attributable to the underlying principal amounts. The number of common shares issuable upon conversion of the Company's 2009 Convertible Notes is reflected in the calculation of weighted average diluted earnings per share for the corresponding periods by application of the "if-converted" method to the extent its effect on the computation of earnings per share from continuing operations is dilutive. Under the "if-converted" method, net income from continuing operations is adjusted to add back the after-tax amount of interest recognized for the period associated with the 2009 Convertible Notes, and correspondingly, the 2009 Convertible Notes are assumed to have been converted, with the resulting common shares added to the number of weighted average shares outstanding. The 2011 Convertible Notes have an optional cash settlement feature under which, in June 2014, the Company settled the principal amount of the 2011 4.0% Notes in cash, and the Company intends to settle the principal amount of the 2011 4.25% Notes in cash in December 2014. Given the Company's intention, dilutive shares associated with the 2011 Convertible Notes are derived from the premium value of the notes in excess of their principal amount, calculated using the treasury stock method. The Company refers to these shares as the "premium shares."

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The 2011 4.0% Notes, which were settled in June 2014, were convertible at $15.76 per share, and the 2011 4.25% Notes, which mature in December 2014, are convertible at $15.48 per share. The calculations underlying the number of premium shares included in the Company’s diluted share count for the periods indicated are as follows (in thousands, except per share amounts):

	As of and for the Three Months Ended September 30,			As of and for the Nine Months Ended September 30,		
	2014	2013		2014	2013	
Premium Share Information:	2011 4.25% Notes	2011 4.0% Notes	2011 4.25% Notes	2011 4.25% Notes	2011 4.0% Notes	2011 4.25% Notes
Number of conversion shares, principal amount	6,268	6,683	6,268	6,268	6,683	6,268
Per share price, actual average	$29.73	$32.84	$32.84	$35.06	$30.59	$30.59
Premium value	$89,341	$114,176	$108,864	$122,748	$99,104	$94,728
Premium shares	3,005	3,476	3,314	3,501	3,240	3,097

In addition to the premium shares described above, there were 2.4 million equivalent premium shares included in the Company's dilutive share calculation for the nine month period ended September 30, 2014 related to the 2011 4.0% Notes, as calculated based on the average price per share of the Company's common stock from the beginning of the period through June 15, 2014, the date of maturity.

Diluted Shares, Other Information

A total of 304,486 and 223,422 weighted average anti-dilutive common stock equivalents were not included in the Company's diluted earnings per share calculations for the three and nine month periods ended September 30, 2014, respectively. For the three and nine month periods ended September 30, 2013, there were no anti-dilutive common stock equivalents.

Note 3 – Acquisitions

Allocations of purchase prices for acquisitions are based on estimates of the fair value of consideration paid and of the net assets acquired and are subject to adjustment upon finalization of these fair value estimates. The Company acquired several businesses during 2013 and 2014, as discussed below and in Note 3 - Acquisitions in the notes to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013. As of September 30, 2014, the allocations of purchase price to the fair values of tangible and intangible assets and liabilities, including the estimated values of contingent earn-out obligations and the estimated useful lives of acquired assets for the Company's 2014 acquisitions are provisional and remain preliminary. Management continues to assess the valuation of these items and any ultimate purchase price adjustments that may result based on the final net assets and net working capital of the acquired businesses, as prescribed in the corresponding purchase agreements.

The Company will revise its preliminary allocations for acquired businesses if new information is obtained about the facts and circumstances existing as of the date of acquisition, or for purchase price adjustments, based on the final net assets and net working capital of the acquired businesses, as prescribed in the applicable purchase agreement. Such adjustments result in the recognition of, or adjust the fair values of, acquired assets and assumed liabilities, and are presented as if the adjustments had been taken into account as of the date of acquisition, which results in the revision of comparative prior period financial information. All changes that do not qualify as measurement period adjustments are included in current period results. See table below for measurement period adjustments relating to balances as previously disclosed.

2014 Acquisitions

Pacer

Effective June 1, 2014, MasTec acquired all of the issued and outstanding equity interests of Pacer Construction Holdings Corporation and its affiliated operating companies (collectively, "Pacer"). Pacer is a western Canadian civil construction services company, headquartered in Calgary, Alberta, Canada. Pacer’s services include infrastructure construction primarily in support of oil and gas production, processing, mining and transportation. Pacer, a leading contractor in the Canadian oil sands, is expected to significantly enhance MasTec's ability to lead the development of energy infrastructure work in western Canada and take advantage of the associated rapidly expanding opportunities anticipated for energy infrastructure work in North America in the coming years. Pacer is reported within the Company's Oil and Gas segment.

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The following table summarizes the preliminary estimated fair values of consideration paid and identifiable assets acquired and liabilities assumed, as adjusted, as of the date of acquisition (in millions):

Acquisition consideration:	June 1, 2014
Cash	$126.5
Fair value of contingent consideration (earn-out liability)	25.7
Total consideration transferred	$152.2
Identifiable assets acquired and liabilities assumed:	
Current assets	$118.4
Equity method investments	2.3
Other long-term assets	0.1
Property and equipment	72.8
Pre-qualifications	41.2
Finite-lived intangible assets	20.3
Current liabilities	(55.8)
Long-term debt	(87.0)
Deferred income taxes	(29.6)
Total identifiable net assets	$82.7
Goodwill	$69.5
Total net assets acquired, including goodwill	$152.2

As a result of the ongoing review of the acquired net working capital and acquired net assets of Pacer, in the third quarter of 2014, the Company recorded a $9.8 million reduction of certain long-term assets, a $7.8 million increase in pre-acquisition liabilities, a $2.7 million increase in intangible assets and a $1.4 million increase to the contingent earn-out liability. These adjustments resulted in a $16.6 million increase to the previously recorded amount of goodwill associated with the Pacer acquisition.

The fair values and weighted average useful lives of Pacer's acquired finite-lived intangible assets, as adjusted, as of the date of acquisition were assigned as follows:

	Fair Value	Weighted Average Useful Life
Finite-lived intangible assets:	(in millions)	(in years)
Backlog	$6.1	2
Non-compete agreements	2.3	8
Customer relationships	11.9	8
Total acquired finite-lived intangible assets	$20.3	6

Finite-lived intangible assets will be amortized in a manner consistent with the pattern in which the related benefits are expected to be consumed. The intangible asset related to Pacer's pre-qualifications with selected customer companies has been assigned an indefinite life as the pre-qualifications are not expected to expire or diminish in value, and the companies to which they relate have extremely long operating histories. Goodwill arising from the acquisition represents the estimated value of Pacer's geographic presence in key high-growth Canadian markets, its assembled workforce, its management team's industry-specific project management expertise and synergies expected to be achieved from the combined operations of Pacer and MasTec. The goodwill balance is not tax deductible.

The values of certain of the assets acquired and liabilities assumed include the proportionate values of Pacer’s undivided interest in an unincorporated contractual joint venture, which provides civil construction services and is accounted for on a proportional basis. The equity method investments identified in the table above represent investments in entities that provide heavy civil construction services. For the three and nine month periods ended September 30, 2014, revenue recognized by the Company for infrastructure construction services on behalf of these business entities totaled $2.0 million and $3.0 million, respectively. As of September 30, 2014, receivables from infrastructure construction services provided by Pacer, including acquired receivables, totaled $2.5 million. Other amounts due Pacer from its equity method investees and contractual joint venture as of September 30, 2014 included aggregate financing receivables of $14.8 million, which is included in other current assets. In connection with these business entities, there are performance guarantees, for which Pacer is obligated on a joint and several basis with its other joint venture partners or other shareholders in such entities, of a gross amount of approximately $219.0 million ($92.0 million based on ownership percentage) on the full contract value of certain projects. These projects are in varying stages of completion as of September 30, 2014. There are also approximately $31.0 million of other financial guarantees associated with these entities for which Pacer is obligated on a joint and several basis. The Company believes these receivables and guarantees represent variable interests; however, Pacer does not have the power to control the primary activities of, nor is it the primary beneficiary of, these business entities. The Company may provide financial support to these business entities in the future.

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The contingent consideration included in the table above is equal to 25% of the excess, if any, of Pacer's earnings from continuing operations before interest, taxes, depreciation and amortization ("EBITDA") above certain thresholds for a five-year period, as set forth in the purchase agreement, and is payable annually in Canadian dollars. The fair value of the earn-out liability was estimated using an income approach and incorporates significant inputs not observable in the market. Key assumptions in the estimated valuation include the discount rate and probability-weighted EBITDA projections. The range of potential undiscounted payments that MasTec could be required to make under the earn-out arrangement is estimated to be between $0 and $69 million U.S. dollars; however, there is no maximum earn-out payment amount.

Other 2014 Acquisitions

Effective April 1, 2014, MasTec acquired 100% of a telecommunications services firm that specializes in the installation of in-home security systems for an aggregate purchase price composed of approximately $17.2 million in cash and a five year earn-out, valued at $0.6 million as of the date of acquisition. Additionally, effective January 1, 2014, MasTec acquired 100% of a telecommunications services firm that specializes in the engineering, installation, furnishing and integration of telecommunications equipment for an aggregate purchase price composed of approximately $23.8 million in cash and a five year earn-out, valued at $8.7 million as of the date of acquisition. These companies are included in MasTec's Communications segment.

2013 Acquisitions

Effective May 1, 2013, MasTec acquired all of the issued and outstanding interests of Big Country Energy Services, Inc. and its affiliated operating companies (collectively, "Big Country"). Big Country, which is included in the Company's Oil and Gas segment, is a North American oil and gas pipeline and facility construction services company, headquartered in Calgary, Alberta, Canada. In addition, effective April 1, 2013, MasTec acquired a former subcontractor to its wireless business, which provides self-perform communications tower construction, installation, maintenance and other services in support of telecommunications infrastructure construction in the Company's Communications segment. MasTec also acquired, effective August 1, 2013, an electrical transmission services company that provides substation construction activities. This company is included within the Company's Electrical Transmission segment.

Measurement Period Adjustments

Measurement period adjustments associated with the Company's 2013 acquisitions have been reflected as follows (in millions):

As of December 31, 2013:	As Previously Reported	Measurement Period Adjustments	As Revised
Current assets	$1,306.0	$1.0	$1,307.0
Goodwill	$899.4	$2.6	$902.0
Current liabilities	$825.5	$3.7	$829.2
Long-term deferred tax liabilities, net	$154.9	$(0.1)	$154.8

Unaudited Pro Forma Information

The following unaudited supplemental pro forma financial information includes the results of operations of each of the companies acquired in 2014 and 2013 and is presented as if the acquired companies had been consolidated as of the beginning of the year immediately preceding the year in which the company was acquired. The unaudited supplemental pro forma financial information has been provided for illustrative purposes only. The unaudited supplemental pro forma financial information does not purport to be indicative of the actual results that would have been achieved by the combined companies for the periods presented, or of the results that may be achieved by the combined companies in the future. Future results may vary significantly from the results reflected in the following unaudited supplemental pro forma financial information because of future events and transactions, as well as other factors, many of which are beyond MasTec's control.

The unaudited supplemental pro forma financial information presented below has been prepared by adjusting the historical results of MasTec to include the historical results of the acquired businesses described above. The unaudited supplemental pro forma combined historical results were then adjusted (i) to remove one-time acquisition costs; (ii) to increase amortization expense resulting from the incremental intangible assets acquired in such acquisitions; (iii) to increase interest expense as a result of the cash consideration paid; and (iv) to reduce interest expense from the repayment of acquired debt. The unaudited supplemental pro forma financial information does not include any adjustments to reflect the impact of cost savings or other synergies that may result from these acquisitions. As noted above, the unaudited supplemental pro forma financial information does not purport to be indicative of the actual results that would have been achieved by the combined companies for the periods presented or that may be achieved by the combined companies in the future.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Pro forma financial information:	(unaudited, in millions)		(unaudited, in millions)	
Revenue	$1,309.6	$1,417.5	$3,496.0	$3,667.3
Net income from continuing operations	$46.0	$52.4	$96.5	$118.0

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Results of Businesses Acquired

Revenues and net income resulting from the year over year incremental impact of acquired businesses, which are included within the Company's consolidated results of operations for the periods indicated, were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Actual of acquiree (year over year impact):	(unaudited, in millions)		(unaudited, in millions)	
Revenue	$133.2	$141.6	$342.5	$270.4
Net income from continuing operations [a]	$2.3	$7.5	$4.5	$12.8

(a) The above results do not include acquisition costs totaling $0.4 million and $0.3 million for the three month periods ended September 30, 2014 and 2013, respectively, and $2.0 million and $1.6 million for the nine month periods ended September 30, 2014 and 2013, respectively. Acquisition costs are included within general and administrative costs in the Company's consolidated unaudited statements of operations. The above results also do not include interest expense associated with consideration paid for these acquisitions.

Note 4 – Discontinued Operations

Globetec

In 2012, the Company's board of directors approved a plan of sale for Globetec Construction, LLC ("Globetec"). Accordingly, Globetec's projects and assets are reflected as assets and liabilities of discontinued operations, and Globetec's results of operations are presented as discontinued operations in the condensed unaudited consolidated financial statements for all periods presented. Effective August 31, 2013, the Company sold all of its membership interests in Globetec for nominal consideration and retained certain contingent assets and liabilities. As of September 30, 2014, the Company had certain outstanding surety bonds associated with Globetec, for which the work had been substantially completed, and for which the Company believes there was an insignificant amount at risk. The Company is not obligated to support, and does not intend to support, Globetec in the future.

The following table contains a summary of the contingent assets and liabilities associated with Globetec that were retained by the Company as of September 30, 2014 and as of December 31, 2013 (in millions):

	September 30, 2014	December 31, 2013
Current assets	$5.0	$2.3
Long-term assets	7.1	10.1
Assets of discontinued operations	$12.1	$12.4
Current liabilities of discontinued operations	$1.2	$1.2

The following table presents Globetec's results from discontinued operations for the periods indicated (in millions):

	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2013
Revenue	$4.8	$18.0
Loss from operations, before tax	(0.5)	(2.7)
Impairment of assets, before tax	(5.7)	(6.0)
Income tax benefit	2.5	3.5
Net loss from discontinued operations	$(3.7)	$(5.2)

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Note 5 - Goodwill and Other Intangible Assets

The following table provides a reconciliation of changes in goodwill by reportable segment (in millions):

	Communications	Oil and Gas	Electrical Transmission	Power Generation and Industrial	Total Goodwill
Balance as of December 31, 2013	$ 326.8	$307.7	$ 149.9	$117.6	$902.0
Additions from new business combinations	28.6	69.5	—	—	98.1
Accruals of acquisition-related contingent consideration, net [a]	4.6	—	—	—	4.6
Currency translation adjustments	—	(4.7)	—	—	(4.7)
Balance as of September 30, 2014	$ 360.0	$372.5	$ 149.9	$117.6	$1,000.0

(a) Represents contingent consideration for acquisitions prior to January 1, 2009, which is accrued as earned, in accordance with U.S. GAAP.

The following table provides a reconciliation of changes in other intangible assets (in millions):

	Other Intangible Assets				
	Non-amortizing		Amortizing		
	Trade Names	Pre-Qualifications	Customer Relationships and Backlog	Other [a]	Total
Gross carrying amount as of December 31, 2013	$34.8	$ 59.4	$128.4	$22.5	$245.1
Accumulated amortization			$(67.7)	$(11.8)	$(79.5)
Other intangible assets, net, as of December 31, 2013	$34.8	$ 59.4	$60.7	$10.7	$165.6
Additions from new business combinations	—	41.2	33.1	2.7	77.0
Amortization expense			(15.7)	(1.3)	(17.0)
Currency translation adjustments	—	(2.6)	(0.8)	—	(3.4)
Other intangible assets, net, as of September 30, 2014	$34.8	$ 98.0	$77.3	$12.1	$222.2

(a) Consists principally of amortizing trade names and non-compete agreements.

Amortization expense associated with intangible assets for the three month periods ended September 30, 2014 and 2013 totaled $6.6 million and $5.8 million, respectively, and totaled $17.0 million and $15.2 million, respectively, for the nine month periods ended September 30, 2014 and 2013.

Note 6 – Fair Value of Financial Instruments

The Company’s financial instruments include cash and cash equivalents, accounts and notes receivable, cash collateral deposited with insurance carriers, life insurance assets, cost and equity method investments, deferred compensation plan assets and liabilities, accounts payable and other current liabilities, acquisition-related contingent consideration and debt obligations.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value guidance establishes a valuation hierarchy, which requires maximizing the use of observable inputs when measuring fair value. The three levels of inputs that may be used are: (i) Level 1 - quoted market prices in active markets for identical assets or liabilities; (ii) Level 2 - observable market based inputs or other observable inputs; and (iii) Level 3 - significant unobservable inputs that cannot be corroborated by observable market data, which are generally determined using valuation models incorporating management’s estimates of market participant assumptions.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Management’s assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of September 30, 2014, financial instruments required to be measured at fair value on a recurring basis consisted primarily of acquisition-related contingent consideration. This acquisition-related contingent consideration represents the estimated fair value of additional future earn-outs payable for acquisitions of businesses that closed after January 1, 2009, in accordance with U.S. GAAP ("ASC 805 contingent consideration"). The fair value of the Company's ASC 805 contingent consideration, which was determined using Level 3 inputs, totaled $149.6 million and $165.4

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million, respectively, as of September 30, 2014 and December 31, 2013. The fair value of ASC 805 contingent consideration is based on management estimates and entity-specific assumptions and is evaluated on an on-going basis.

There were no additions to ASC 805 contingent consideration from new business combinations for the three month period ended September 30, 2014. Additions to ASC 805 contingent consideration totaled $35.0 million for the nine month period ended September 30, 2014, and totaled $3.3 million and $30.0 million for the three and nine month periods ended September 30, 2013, respectively. The Company paid approximately $1.3 million and $48.3 million of ASC 805 contingent consideration for the three and nine month periods ended September 30, 2014, respectively. There were no ASC 805 contingent consideration payments made for the three month period ended September 30, 2013. For the nine month period ended September 30, 2013, the Company paid approximately $2.7 million of ASC 805 contingent consideration. Foreign currency translation gains and/or losses associated with ASC 805 contingent consideration are included in other comprehensive income. For the three and nine month periods ended September 30, 2014, foreign currency translation gains associated with ASC 805 contingent consideration totaled $2.9 million and $2.5 million, respectively. For the three month period ended September 30, 2013, foreign currency translation losses associated with ASC 805 contingent consideration totaled $0.7 million, and for the nine month period ended September 30, 2013, foreign currency translation gains associated with ASC 805 contingent consideration totaled $1.1 million.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Assets and liabilities recognized or disclosed at fair value on a non-recurring basis, which are initially measured at fair value, and are subsequently remeasured in the event of an impairment or other measurement event, if applicable, include items such as cost and equity method investments, life insurance assets, long-lived assets, goodwill, other intangible assets and debt.

Carrying amounts and estimated fair values of selected financial instruments measured on a non-recurring basis as of the dates indicated were as follows (in millions):

	September 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
4.875% Senior Notes	$400.0	$377.0	$400.0	$380.0
2009 Convertible Notes	$3.0	$5.9	$12.6	$26.6
2011 Convertible Notes	$97.0	$192.1	$198.3	$428.3

The estimated fair values of the Company’s 4.875% Senior Notes, 2009 Convertible Notes and 2011 Convertible Notes are based on quoted market prices, a Level 1 input.

Cost and Equity Method Investments. The aggregate carrying value of the Company's cost and equity method investments, including long-term receivables from investees and contractual joint ventures, totaled approximately $15.0 million and $15.8 million as of September 30, 2014 and December 31, 2013, respectively. The fair values of the Company's cost and equity method investments are not readily available nor has the Company estimated the fair value of these investments. The Company is not aware of any events or changes in circumstance that would have a significant adverse effect on the carrying value of its cost or equity method investments as of September 30, 2014 or December 31, 2013.

Note 7 - Accounts Receivable, Net of Allowance

The following table provides details of accounts receivable, net of allowance, as of the dates indicated (in millions):

	September 30, 2014	December 31, 2013
Contract billings	$775.6	$606.5
Retainage	179.3	159.3
Costs and earnings in excess of billings	451.7	384.6
Accounts receivable, gross	$1,406.6	$1,150.4
Less allowance for doubtful accounts	(16.7)	(15.7)

Accounts receivable, net	$1,389.9	$1,134.7

Provisions for doubtful accounts for the three month periods ended September 30, 2014 and 2013 totaled $0.3 million and $1.9 million, respectively, and totaled $1.1 million and $4.4 million, respectively, for the nine month periods ended September 30, 2014 and 2013.

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Note 8 - Property and Equipment, Net

The following table provides details of property and equipment, net, including property and equipment held under capital leases as of the dates indicated (in millions):

	September 30, 2014	December 31, 2013
Land	$4.6	$4.8
Buildings and leasehold improvements	19.2	18.0
Machinery and equipment	901.6	727.1
Office furniture and equipment	118.1	102.5
Construction in progress	17.2	11.0
Total property and equipment	$1,060.7	$863.4
Less accumulated depreciation and amortization	(446.3)	(375.3)
Property and equipment, net	$614.4	$488.1

Depreciation and amortization expense associated with property and equipment for the three month periods ended September 30, 2014 and 2013 totaled $35.2 million and $32.0 million, respectively, and totaled $95.0 million and $87.9 million, respectively, for the nine month periods ended September 30, 2014 and 2013.

Note 9 - Debt

The following table provides details of the carrying values of long-term debt as of the dates indicated (in millions):

Description	Maturity Date	September 30, 2014	December 31, 2013
Senior secured credit facility	October 29, 2018	$ 449.5	$ 53.0
4.875% senior notes	March 15, 2023	400.0	400.0
2011 4.0% senior convertible notes	June 15, 2014	—	103.8
2011 4.25% senior convertible notes	December 15, 2014	96.4	94.5
2009 4.0% senior convertible notes	June 15, 2014	—	9.6
2009 4.25% senior convertible notes	December 15, 2014	3.0	3.0
Other credit facilities	Varies	4.8	—
Capital lease obligations, weighted average interest rate of 2.8%	In installments through June 13, 2021	163.6	126.0
Notes payable, equipment, weighted average interest rate of 2.9%	In installments through September 1, 2018	42.8	26.9
Total debt		$ 1,160.1	$ 816.8
Less current maturities		(71.8)	(51.4)
Long-term debt		$ 1,088.3	$ 765.4

Senior Secured Credit Facility

In June 2014, the Company amended its senior secured credit facility, referred to as the Credit Facility, to increase aggregate borrowing commitments from $750 million to $1 billion, add the capability to borrow in Mexican pesos in addition to Canadian dollars, and increase the maximum amount that can be borrowed in alternate currencies to $200 million from $100 million. The amended Credit Facility, which matures on October 29, 2018, has an accordion feature permitting the Company to increase revolving commitments and/or establish additional term loan tranches in an aggregate amount of up to $250 million. As of September 30, 2014 and December 31, 2013, the Company had outstanding revolving loans under the Credit Facility of $449.5 million and $53.0 million, respectively, which accrued interest at weighted average rates of approximately 2.12% and 2.14% per annum, respectively. Letters of credit of approximately $135.6 million and $134.8 million were issued as of September 30, 2014 and December 31, 2013, respectively. As of September 30, 2014, interest on letters of credit accrued at 0.875% per annum for performance standby letters of credit and at 1.75% per annum for financial standby letters of credit. As of December 31, 2013, interest on letters of credit accrued at 0.75% per annum for performance standby letters of credit and at 1.5% per annum for financial standby letters of credit. Outstanding letters of credit mature at various dates and most have automatic renewal provisions, subject to prior notice of cancellation. As of September 30, 2014 and December 31, 2013, the remaining borrowing capacity of the Company's Credit Facility of $262.5 million and $562.1 million, respectively, was available for revolving loans, or up to $262.5 million and $315.2 million, respectively, of new letters of credit. Total remaining borrowing capacity as of September 30, 2014 included a temporary reduction of approximately $152 million, which will be restored once the Company's 4.25% Convertible Notes mature and are repaid or converted in December 2014. The unused facility fee was 0.35% and 0.30% as of September 30, 2014 and December 31, 2013, respectively. The Credit Facility is guaranteed by certain subsidiaries of the Company.

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Other Credit Facilities. To support the working capital requirements of its foreign operations, primarily in Canada, the Company has entered into certain other credit facilities. Borrowings under these other credit facilities are primarily denominated in Canadian dollars. As of September 30, 2014, the Company had maximum borrowing capacity under these credit facilities of $35.0 million Canadian dollars, or approximately $31.3 million U.S. dollars. Outstanding borrowings totaled approximately $5.4 million Canadian dollars, or approximately $4.8 million U.S. dollars, as of September 30, 2014, and accrued interest at a weighted average rate of 4.00%. The Company's other credit facilities, which have varying dates of maturity through March 3, 2015, are generally renewed on an annual basis. Outstanding borrowings under the Company's other credit facilities that are not renewed are repaid with borrowings under the Credit Facility. Accordingly, the carrying amounts of the Company's borrowings under other credit facilities are classified within long-term debt in the Company's condensed unaudited consolidated balance sheet as of September 30, 2014. The Company's other credit facilities are subject to customary provisions and covenants.

Senior Convertible Notes

The Company's 4.0% Convertible Notes, composed of $105.3 million principal amount of 2011 4.0% Notes and $9.6 million principal amount of 2009 4.0% Notes, matured and were converted in June 2014. The 2009 4.0% Notes were convertible at a rate of 63.4417 shares of MasTec common stock per $1,000 principal amount thereof, representing an initial conversion price of approximately $15.76 per share, resulted in MasTec issuing an aggregate of 0.6 million shares of its common stock. The 2011 4.0% Notes were substantially identical to the 2009 4.0% Notes, except that the 2011 4.0% Notes had an optional physical (share), cash or combination settlement feature. In accordance with the Company's previously stated intent, it settled the principal amount of the 2011 4.0% Notes in cash, using proceeds from the Credit Facility, and the premium value in shares of common stock. Pursuant to the formula contained in the indenture governing the 2011 4.0% Notes, the Company issued 3.6 million shares of common stock to settle the premium value of the 2011 4.0% Notes. The value of the shares issued to settle the premium was $114.8 million, based on the closing price of the Company's common stock on the date the shares were issued. The 4.2 million aggregate shares issued in settlement of the 4.0% Convertible Notes were issued from the Company's treasury stock. See Note 13 - Equity.

The 4.25% Convertible Notes mature in December 2014. The Company expects to settle the principal amount of its 2011 4.25% Notes on a long-term basis with proceeds from the Credit Facility, or through other sources of available funding, and the premium value in shares, consistent with the settlement of the 2011 4.0% Notes in June 2014. Therefore, the Company has reflected the carrying amounts of these notes within long-term debt in the condensed unaudited consolidated balance sheets. Unamortized debt discount and financing costs associated with the 2011 4.25% Notes totaled $0.6 million as of September 30, 2014. Unamortized debt discount and financing costs associated with both the 2011 4.25% Notes and the 2011 4.0% Notes totaled $4.0 million as of December 31, 2013.

Debt Guarantees and Covenants

The Company’s 4.875% Senior Notes, 2011 Convertible Notes and 2009 Convertible Notes are fully and unconditionally guaranteed on an unsecured, unsubordinated, joint and several basis by certain of the Company's existing and future 100%-owned direct and indirect domestic subsidiaries that are guarantors of the Credit Facility or other outstanding indebtedness. See Note 18 - Supplemental Guarantor Condensed Unaudited Consolidating Financial Information.

MasTec was in compliance with the provisions and covenants of its outstanding debt instruments as of September 30, 2014 and December 31, 2013.

Interest Expense, Net

The following table provides details of interest expense, net, for the periods indicated (in millions):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest expense:				
Contractual and other interest expense	$11.3	$10.4	$31.6	$27.9
Accretion of senior convertible note discount	0.6	1.3	3.4	3.9
Amortization of deferred financing costs	0.8	1.0	2.7	3.0

Total interest expense	$12.7	$12.7	$37.7	$34.8
Interest income	(0.1)	—	(0.1)	(0.3)
Interest expense, net	$12.6	$12.7	$37.6	$34.5

For additional information regarding the Company's debt instruments, see Note 9 - Debt in the notes to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013.

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Note 10 - Lease Obligations

Capital Leases

MasTec enters into agreements that provide financing for machinery and equipment, which expire on various dates. The gross amount of assets held under capital leases as of September 30, 2014 and December 31, 2013 totaled $276.2 million and $199.6 million, respectively. Assets held under capital leases, net of accumulated depreciation, totaled $203.7 million and $141.3 million as of September 30, 2014 and December 31, 2013, respectively.

Operating Leases

In the ordinary course of business, the Company enters into non-cancelable operating leases for certain of its facility, vehicle and equipment needs, including related party leases. Rent expense relating to operating leases that have non-cancelable terms in excess of one year was approximately $18.1 million and $12.7 million for the three month periods ended September 30, 2014 and 2013, respectively, and $51.5 million and $37.1 million for the nine month periods ended September 30, 2014 and 2013, respectively. The Company also incurred expenses relating to facilities, vehicles and equipment having original terms of one year or less of approximately $54.5 million and $63.0 million for the three month periods ended September 30, 2014 and 2013, respectively, and $142.6 million and $138.9 million for the nine month periods ended September 30, 2014 and 2013, respectively.

Note 11 – Stock-Based Compensation and Other Employee Benefit Plans

The Company has stock-based compensation plans, under which stock options and restricted share awards are available for issuance or outstanding. Under stock-based compensation plans in effect as of September 30, 2014, there were a total of 6,193,235 shares available for grant or issuance.

Restricted Share Awards

MasTec grants restricted share awards, which are valued based on the market price of MasTec common stock on the date of grant. Total unearned compensation related to restricted share awards as of September 30, 2014 was approximately $16.0 million, which is expected to be recognized over a weighted average period of approximately 1.1 years. The intrinsic value, or fair value, of restricted share awards that vested, which is based on the market price on the date of vesting, totaled $1.1 million and $0.9 million for the three month periods ended September 30, 2014 and 2013, respectively, and totaled $7.1 million and $2.0 million for the nine month periods ended September 30, 2014 and 2013, respectively.

Activity, restricted share awards:	Restricted Shares	Per Share Weighted Average Grant Date Fair Value
Non-vested restricted shares, as of December 31, 2013	1,123,545	$23.78
Granted	323,249	41.05
Vested	(181,195)	20.26
Canceled/forfeited	(22,442)	17.38
Non-vested restricted shares, as of September 30, 2014	1,243,157	$28.90

Stock Options

The Company has granted options to purchase its common stock to employees and members of the Board of Directors and affiliates under various stock option plans. All outstanding stock options are fully vested.

Activity, stock options:	Stock Options	Per Share Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value [(a)] (in millions)
Options outstanding as of December 31, 2013	495,571	$11.17	1.96	$10.7
Exercised	(210,900)	9.97		
Canceled/forfeited	—	—		
Options outstanding as of September 30, 2014	284,671	$12.06	1.54	$5.3

Options exercisable as of September 30, 2014	284,671	$12.06	1.54	$5.3

(a) Amount represents the difference between the exercise price and the market price of the Company's stock on the last trading day of the corresponding period, multiplied by the number of in-the-money options.

The total intrinsic value of options exercised was based on the difference between the exercise price and the market price of the Company's stock on the date of exercise. During the three month period ended September 30, 2014, there were no options exercised. For the three month period ended September 30, 2013, the intrinsic value of options exercised totaled $4.6 million. The total intrinsic value of options exercised during the

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nine month periods ended September 30, 2014 and 2013 totaled $6.5 million and $10.4 million, respectively. Proceeds from options exercised during the three month period ended September 30, 2013 totaled $0.4 million. Proceeds from options exercised during the nine month periods ended September 30, 2014 and 2013 totaled $0.8 million and $3.8 million, respectively.

Employee Stock Purchase Plans

The Company's employee stock purchase plans allow qualified employees to purchase MasTec common stock at 85% of its fair market value at the lower of (i) the date of commencement of the offering period or (ii) the last day of the exercise period, as defined in the plan documents. The fair value of purchases under the Company's employee stock purchase plans is estimated using the Black-Scholes option-pricing valuation model.

	Nine Months Ended September 30,	
Activity, employee stock purchase plan:	2014	2013
Cash proceeds (in millions)	$2.5	$6.0
Common shares issued	94,761	436,925
Weighted average per share price	$26.60	$13.69
Weighted average per share grant date fair value	$6.34	$5.55

Stock-Based Compensation Expense and Tax Benefits

Details of stock-based compensation expense, which is included within general and administrative expense in the condensed unaudited consolidated statement of operations for the periods indicated are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Stock-based compensation expense	$4.1	$3.0	$11.6	$9.6
Income Tax Effects:				
Income tax benefit from stock-based compensation	$1.8	$4.5		