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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 December 31, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____to _____

Commission File Number 1-13783

Integrated Electrical Services, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**76-0542208**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5433 Westheimer Road, Suite 500, Houston, Texas 77056
(Address of principal executive offices and ZIP code)

Registrant's telephone number, including area code: (713) 860-1500

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

Indicate by check mark whether the registrant 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 ☑ No ☐

Indicate by check mark whether 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	☐	Accelerated filer	☐
Non-accelerated filer	☑	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

On February 14, 2013, there were 15,057,214 shares of common stock outstanding.

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

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PART I

DEFINITIONS

In this quarterly report on Form 10-Q, the words "IES", the "Company", the "Registrant", "we", "our", "ours" and "us" refer to Integrated Electrical Services, Inc. and, except as otherwise specified herein, to our subsidiaries.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q includes certain statements that may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, all of which are based upon various estimates and assumptions that the Company believes to be reasonable as of the date hereof. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "should," "expect," "plan," "project," "intend," "anticipate," "believe," "seek," "estimate," "predict," "potential," "pursue," "target," "continue," the negative of such terms or other comparable terminology. These statements involve risks and uncertainties that could cause the Company's actual future outcomes to differ materially from those set forth in such statements. Such risks and uncertainties include, but are not limited to:

- fluctuations in operating activity due to downturns in levels of construction, seasonality and differing regional economic conditions;
- competition in our respective industries, both from third parties and former employees, which could result in the loss of one or more customers or lead to lower margins on new projects;
- a general reduction in the demand for our services;
- a change in the mix of our customers, contracts and business;
- our ability to successfully manage projects;
- possibility of errors when estimating revenue and progress to date on percentage-of-completion contracts;
- inaccurate estimates used when entering into fixed-priced contracts;
- challenges integrating new businesses into the Company or new types of work or new processes into our divisions;
- the cost and availability of qualified labor;
- accidents resulting from the physical hazards associated with our work and the potential for accidents;
- success in transferring, renewing and obtaining electrical and construction licenses;
- our ability to pass along increases in the cost of commodities used in our business, in particular, copper, aluminum, steel, fuel and certain plastics;
- potential supply chain disruptions due to credit or liquidity problems faced by our suppliers;
- loss of key personnel and effective transition of new management;
- warranty losses, damages or other latent defect claims in excess of our existing reserves and accruals;
- warranty losses or other unexpected liabilities stemming from former divisions which we have sold or closed;
- growth in latent defect litigation in states where we provide residential electrical work for home builders not otherwise covered by insurance;
- limitations on the availability of sufficient credit or cash flow to fund our working capital needs;
- difficulty in fulfilling the covenant terms of our credit facilities;
- increased cost of surety bonds affecting margins on work and the potential for our surety providers to refuse bonding or require additional collateral at their discretion;
- increases in bad debt expense and days sales outstanding due to liquidity problems faced by our customers;
- changes in the assumptions made regarding future events used to value our stock options and performance-based stock awards;
- the recognition of potential goodwill, long-lived assets and other investment impairments;
- uncertainties inherent in estimating future operating results, including revenues, operating income or cash flow;

- disagreements with taxing authorities with regard to tax positions we have adopted;
- the recognition of tax benefits related to uncertain tax positions;
- complications associated with the incorporation of new accounting, control and operating procedures;
- the financial impact of new or proposed accounting regulations;
- the ability of our controlling shareholder to take action not aligned with other shareholders;
- the possibility that certain tax benefits of our net operating losses may be restricted or reduced in a change in ownership;
- credit and capital market conditions, including changes in interest rates that affect the cost of construction financing and mortgages, and the inability for some of our customers to retain sufficient financing which could lead to project delays or cancellations, and potentially impede the collectability of our accounts receivable;
- the sale or disposition of the shares of our common stock held by our majority shareholder, which, under certain circumstances, would trigger change of control provisions in contracts such as employment agreements and financing and surety arrangements; and
- additional closures or sales of facilities could result in significant future charges and a significant disruption of our operations.

You should understand that the foregoing, as well as other risk factors discussed in this document, including those listed in Part I, Item 1A of this report under the heading "*Risk Factors*" as well as the other risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2012, could cause future outcomes to differ materially from those experienced previously or those expressed in such forward-looking statements. We undertake no obligation to publicly update or revise any information, including information concerning our controlling shareholder, net operating losses, restructuring efforts, borrowing availability, cash position, or any forward-looking statements to reflect events or circumstances that may arise after the date of this report. Forward-looking statements are provided in this Form 10-Q pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of the estimates, assumptions, uncertainties and risks described herein.

INDUSTRY AND MARKET DATA

This quarterly report on Form 10-Q includes certain industry and market data that we obtained from independent industry publications or other published independent sources. These publications generally state that the information contained therein has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that each of these publications is reliable, we have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic or operational assumptions relied upon therein.

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In Thousands, Except Share Information)

	December 31, 2012	September 30, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 20,873	$ 18,729
Restricted cash	7,564	7,155
Accounts receivable:		
Trade, net of allowance of $1,649 and $1,788, respectively	73,478	76,259
Retainage	19,015	17,004
Inventories	13,034	15,141
Costs and estimated earnings in excess of billings on uncompleted contracts	8,031	8,180
Assets held for sale	1,110	1,110
Prepaid expenses and other current assets	6,365	3,807
Total current assets	149,470	147,385
LONG-TERM RECEIVABLE, net of allowance of $0 and $0, respectively	213	259
PROPERTY AND EQUIPMENT, net	6,018	6,480
GOODWILL	4,446	4,446
OTHER NON-CURRENT ASSETS, net	5,011	6,143
Total assets	$ 165,158	$ 164,713
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 2,471	$ 456
Current maturities of long-term debt, related party	7,083	10,000
Current maturities of long-term debt, total	9,554	10,456
Accounts payable and accrued expenses	69,085	68,673
Billings in excess of costs and estimated earnings on uncompleted contracts	22,930	25,255
Total current liabilities	101,569	104,384
LONG-TERM DEBT, net of current maturities, related party	2,917	24
LONG-TERM DEFERRED TAX LIABILITY	285	285
OTHER NON-CURRENT LIABILITIES	6,575	6,863
Total liabilities	111,346	111,556
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized; 15,407,802 and 15,407,802 shares issued and 15,057,140 and 14,977,400 outstanding, respectively	154	154
Treasury stock, at cost, 350,662 and 430,402 shares, respectively	(3,297)	(4,546)
Additional paid-in capital	162,767	163,871
Retained deficit	(105,812)	(106,322)
Total stockholders' equity	53,812	53,157
Total liabilities and stockholders' equity	$ 165,158	$ 164,713

The accompanying notes are an integral part of these Consolidated Financial Statements.

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(In Thousands, Except Share Information)

	Three Months Ended December 31,	
	2012	2011
Revenues	$ 127,264	$ 108,998
Cost of services	109,284	95,805
Gross profit	17,980	13,193
Selling, general and administrative expenses	14,922	12,655
Gain on sale of assets	(19)	(137)
Income from operations	3,077	675
Interest and other (income) expense:		
Interest expense	607	622
Interest income	(12)	(85)
Other expense (income), net	1,734	(35)
Interest and other expense, net	2,329	502
Income from continuing operations before income taxes	748	173
Provision (benefit) for income taxes	115	(19)
Net income from continuing operations	$ 633	$ 192
Discontinued operations (Note 12)		
Loss from discontinued operations	(138)	(3,726)
(Benefit) provision for income taxes	(15)	187
Net loss from discontinued operations	(123)	(3,913)
Net income (loss)	$ 510	$ (3,721)
Earnings (loss) per share:		
Continuing operations	$ 0.04	$ 0.01
Discontinued operations	$ (0.01)	$ (0.27)
Basic	$ 0.03	$ (0.26)
Diluted earnings (loss) per share:		
Continuing operations	$ 0.04	$ 0.01
Discontinued operations	$ (0.01)	$ (0.27)
Diluted	$ 0.03	$ (0.26)
Shares used in the computation of earnings (loss) per share		
Basic	14,801,903	14,569,089
Diluted	14,919,189	14,569,089

The accompanying notes are an integral part of these Consolidated Financial Statements.

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In Thousands)

	Three Months Ended December 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 510	$ (3,721)
Adjustments to reconcile net loss to net cash provided by operating activities: Bad debt expense	(138)	(25)
Deferred financing cost amortization	209	21
Depreciation and amortization	539	522
Loss (gain) on sale of assets	14	—
Non-cash compensation expense	492	145
Accounts receivable	3,378	7,412
Inventories	2,107	252
Costs and estimated earnings in excess of billings	149	2,158
Prepaid expenses and other current assets	(4,257)	(2,114)
Other non-current assets	199	(50)
Accounts payable and accrued expenses	2,426	(12,403)
Billings in excess of costs and estimated earnings	(2,325)	(1,325)
Other non-current liabilities	(11)	127
Net cash provided by (used in) operating activities	3,292	(9,001)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(369)	(302)
Proceeds from sales of facilities	—	11
Net cash provided by (used in) investing activities	(369)	(291)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of debt	(24)	(61)
Purchase of treasury stock	(346)	(94)
Change in restricted cash	(409)	(8,812)
Net cash used in financing activities	(779)	(8,967)
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	2,144	(18,259)
CASH AND CASH EQUIVALENTS, beginning of period	18,729	35,577
CASH AND CASH EQUIVALENTS, end of period	$ 20,873	$ 17,318
SUPPLEMENTAL DISCLOSURE OF CASH FLOW	2012	2011
INFORMATION:		
Cash paid for interest	$ 419	$ 277
Cash paid for income taxes	$ 62	$ 48

The accompanying notes are an integral part of these Consolidated Financial Statements.

INTEGRATED ELECTRICAL SERVICES, INC.
Notes to Consolidated Financial Statements
(All Amounts in Thousands Except Share Amounts)

1. BUSINESS

Description of the Business

Integrated Electrical Services, Inc., a Delaware corporation, is a leading provider of infrastructure services to the residential, commercial and industrial industries as well as for data centers and other mission critical environments. We operate primarily in the electrical infrastructure markets, with a corporate focus on expanding into other markets through strategic acquisitions or investments. Originally established as IES in 1997, we provide services from our 61 domestic locations as of December 31, 2012. Our operations are organized into three principal business segments, based upon the nature of our current products and services:

- Communications– Nationwide provider of products and services for mission critical infrastructure, such as data centers, of large corporations.
- Residential– Regional provider of electrical installation services for single-family housing and multi-family apartment complexes.
- Commercial & Industrial– Provider of electrical design, construction, and maintenance services to the commercial and industrial markets in various regional markets and nationwide in certain areas of expertise, such as the power infrastructure market.

The words “IES”, the “Company”, “we”, “our”, and “us” refer to Integrated Electrical Services, Inc. and, except as otherwise specified herein, to our wholly-owned subsidiaries.

Our Communications segment is a leading provider of network infrastructure products and services for data centers and other mission critical environments. Services offered include the design, installation and maintenance of network infrastructure for the financial, medical, hospitality, government, hi-tech manufacturing, educational and information technology industries. We also provide the design and installation of audio/visual, telephone, fire, wireless and intrusion alarm systems as well as design/build, service and maintenance of data network systems. We perform services across the United States from our ten offices, which includes our Communications headquarters located in Tempe, Arizona, allowing for dedicated onsite maintenance teams at our customer’s sites.

Our Residential segment provides electrical installation services for single-family housing and multi-family apartment complexes and CATV cabling installations for residential and light commercial applications. In addition to our core electrical construction work, the Residential segment has expanded its offerings by providing services for the installation of residential solar power, smart meters, electric car charging stations and stand-by generators, both for new construction and existing residences. The Residential segment is made up of 32 total locations, which includes our Residential headquarters in Houston. These segment locations geographically cover Texas, the Sun-Belt, and the Western and Mid-Atlantic regions of the United States, including Hawaii.

Our Commercial & Industrial segment is one of the largest providers of electrical contracting services in the United States. The segment offers a broad range of electrical design, construction, renovation, engineering and maintenance services to the commercial and industrial markets. The Commercial & Industrial segment consists of 19 total locations, which includes our Commercial & Industrial headquarters in Houston, Texas. These locations geographically cover Texas, Nebraska, Colorado, Oregon and the Mid-Atlantic region. Services include the design of electrical systems within a building or complex, procurement and installation of wiring and connection to power sources, end-use equipment and fixtures, as well as contract maintenance. We focus on projects that require special expertise, such as design-and-build projects that utilize the capabilities of our in-house experts, or projects which require specific market expertise, such as transmission and distribution and power generation facilities. We also focus on service, maintenance and certain renovation and upgrade work, which tends to be either recurring or have lower sensitivity to economic cycles, or both. We provide services for a variety of projects, including: high-rise residential and office buildings, power plants, manufacturing facilities, data centers, chemical plants, refineries, wind farms, solar facilities, municipal infrastructure and health care facilities, and residential developments. Our utility services consist of overhead and underground installation and maintenance of electrical and other utilities transmission and distribution networks, installation and splicing of high-voltage transmission and distribution lines, substation construction and substation and right-of-way maintenance. Our maintenance services generally provide recurring revenues that are typically less affected by levels of construction activity. Service and maintenance revenues are derived from service calls and routine maintenance contracts, which tend to be recurring and less sensitive to short term economic fluctuations.

INTEGRATED ELECTRICAL SERVICES, INC.
Notes to Consolidated Financial Statements
(All Amounts in Thousands Except Share Amounts)

Sale of Non-Strategic Manufacturing Facility

On November 30, 2010, a subsidiary of the Company sold substantially all the assets and certain liabilities of a non-strategic manufacturing facility engaged in manufacturing and selling fabricated metal buildings housing electrical equipment, such as switchgears, motor starters and control systems, to Siemens Energy, Inc. As part of this transaction, Siemens Energy, Inc. also acquired the real property upon which the fabrication facilities are located from a subsidiary of the Company. The transaction was completed on December 10, 2010 for a purchase price of $10,086 at which time we recognized a gain of $6,763.

Sale of Non-Core Electrical Distribution Facility

On February 28, 2011, Key Electrical Supply, Inc, a wholly owned subsidiary of the Company, sold substantially all the assets and certain liabilities of a non-core electrical distribution facility engaged in distributing wiring, lighting, electrical distribution, power control and generators for residential and commercial applications to Elliot Electric Supply, Inc. for a purchase price of $6,676. The loss on this transaction was immaterial.

Related Party Transaction

On December 12, 2007, we entered into the Tontine Term Loan, a $25,000 senior subordinated loan agreement, with Tontine (the "Tontine Term Loan"). The Tontine Term Loan bears interest at 11.0% per annum and is due on May 15, 2013. Interest is payable quarterly in cash or in-kind at our option. Any interest paid in-kind will bear interest at 11.0% in addition to the loan principal. On April 30, 2010, we prepaid $15,000 of principal on the Tontine Term Loan. On May 1, 2010, Tontine assigned the Tontine Term Loan to Tontine Capital Overseas Master Fund II, L.P, also a related party.

The Tontine Term Loan is subordinated to the 2012 Credit Facility. The Tontine Term Loan is an unsecured obligation of the Company and its subsidiary borrowers and contains no financial covenants or restrictions on dividends or distributions to stockholders. The Tontine Term Loan was amended on August 9, 2012 in connection with the Company entering into the 2012 Credit Facility. The amendment did not materially impact the Company's obligations under the Tontine Term Loan. For a description of the 2012 Credit Facility, please see Note 4 "Debt" in the notes to these Consolidated Financial Statements.

The 2012 Credit Facility requires that the Company extend the maturity date of or refinance the Tontine Term Loan prior to or on February 15, 2013. On February 12, 2013, we entered into an amendment of our 2012 Credit Facility. Pursuant to the amendment, Wells Fargo has provided the Company with a $5,000 term loan. On February 13, 2013, we prepaid the remaining $10,000 of principal on the Tontine Term Loan with existing cash on hand and proceeds from the Wells Fargo Term Loan. For a description of the amendment to the 2012 Credit Facility and the Wells Fargo Term Loan, please see "Subsequent Events" below.

While Tontine is subject to restrictions under federal securities laws on sales of its shares as an affiliate, Tontine is party to a Registration Rights Agreement with the Company under which it has the ability, subject to certain restrictions, to demand registration of its shares in order to permit unrestricted sales of those shares. Tontine has indicated to the Company that it may seek to register some or all of its shares in the near future.

On March 29, 2012, we entered into a sublease agreement with Tontine Associates, LLC, an affiliate of our controlling shareholder, for corporate office space in Greenwich, Connecticut. The lease extends from April 1, 2012 through March 31, 2014, with monthly payments due in the amount of $6. The lease has terms at market rates and payments by the Company are at a rate consistent with that paid by Tontine Associates, LLC to its landlord.

Summary of Significant Accounting Policies

These unaudited consolidated financial statements reflect, in the opinion of management, all adjustments necessary to present fairly the financial position as of, and the results of operations for, the periods presented. All adjustments are considered to be normal and recurring unless otherwise described herein. Interim period results are not necessarily indicative of results of operations or cash flows for the full year. During interim periods, we follow the same accounting policies disclosed in our annual report on Form 10-K for the fiscal year ended September 30, 2012. Please refer to the *Notes to Consolidated Financial Statements* in our annual report on Form 10-K for the fiscal year ended September 30, 2012, when reviewing our interim financial results set forth herein.

Adoption of New Accounting Pronouncement

In June 2011, the FASB issued amended authoritative guidance associated with comprehensive income, which requires companies to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This update eliminates the option to present the components of other comprehensive income as part of the statement of changes in equity. In December 2011, the

INTEGRATED ELECTRICAL SERVICES, INC.
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(All Amounts in Thousands Except Share Amounts)

FASB deferred the effective date of the specific requirement to present items that are reclassified out of accumulated other comprehensive income to net income alongside their respective components of net income and other comprehensive income. The amendments to authoritative guidance associated with comprehensive income were effective for the Company on October 1, 2012 and have been applied retrospectively. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Fair Value of Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, investments, accounts payable, a line of credit, a note payable issued to finance an insurance policy, and a $10,000 senior subordinated loan agreement. We believe that the carrying value of financial instruments, with the exception of the Tontine Term Loan and our cost method investment in EnerTech Capital Partners II L.P. ("EnerTech"), in the accompanying Consolidated Balance Sheets approximates their fair value due to their short-term nature. We estimate that the fair value of the Tontine Term Loan (Level 3) is $10,157 calculated using a market approach based upon Level 3 inputs, including an estimated interest rate reflecting current market conditions at December 31, 2012. For additional information, please refer to Note 4, "Debt – *The Tontine Term Loan*" of this report.

We estimate that the fair value of our investment in EnerTech (Level 3) is $1,000 at December 31, 2012. For additional information, please refer to Note 8, "Securities and Equity Investments – *Investment in EnerTech-Capital Partners II L.P."*

Asset Impairment

During the fiscal year ended September 30, 2012, the Company recorded a pretax non-cash asset impairment charge of $688 related to real estate held by our Commercial & Industrial segment. The real estate was held within a location selected for closure during 2011. This impairment is to adjust the carrying value of real estate held for sale to the estimated current market value less expected selling expenses, a value at which we expect to sell this real estate within one year. The real estate is classified as assets held for sale within our Consolidated Balance Sheets.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are primarily used in our revenue recognition of construction in progress, fair value assumptions in analyzing goodwill, investments, long-lived asset impairments and adjustments, allowance for doubtful accounts receivable, stock-based compensation, reserves for legal matters, realizability of deferred tax assets, and self-insured claims liabilities and related reserves.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. We use restricted cash to collateralize our letters of credit.

Seasonality and Quarterly Fluctuations

Results of operations from our Residential construction segment are seasonal, depending on weather trends, with typically higher revenues generated during spring and summer and lower revenues during fall and winter. The Communications and Commercial & Industrial segments of our business are less subject to seasonal trends, as work in these segments generally is performed inside structures protected from the weather. Our service and maintenance business is generally not affected by seasonality. In addition, the construction industry has historically been highly cyclical. Our volume of business may be adversely affected by declines in construction projects resulting from adverse regional or national economic conditions. Quarterly results may also be materially affected by the timing of new construction projects. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

INTEGRATED ELECTRICAL SERVICES, INC.
Notes to Consolidated Financial Statements
(All Amounts in Thousands Except Share Amounts)

Subsequent Events

Acquisition of Assets from the Acro Group

On February 8, 2013, IES Renewable Energy, LLC ("IES Renewable"), an indirect wholly-owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "Agreement") with a group of entities operating under the name of Acro Group: Residential Renewable Technologies, Inc., Energy Efficiency Solar, Inc. and Lonestar Renewable Technologies Acquisition Corp. (collectively, the "Acro Group"). Pursuant to the terms of the Asset Purchase Agreement, we have agreed to acquire certain assets in connection with the Acro Group's turn-key residential solar integration business (the "Acquired Assets"). The Acquired Assets include, but are not limited to, assets relating to the Acro Group's solar installation sales and marketing platform and the backlog of contracts entered into by Acro Energy with residential solar customers, which provide for the payment of sales and marketing fees in connection with the sale, installation and third-party financing of residential solar equipment. Subject to satisfaction of the closing conditions specified in the Asset Purchase Agreement, the transaction is anticipated to close on February 15, 2013 (the "Closing Date").

Following consummation of the transaction, IES Residential, Inc. ("IES Residential"), a wholly-owned subsidiary of the Company, will offer full-service residential solar integration services, including design, procurement, permitting, installation, financing services through third parties and warranty services for residential customers. IES Residential has previously provided solar installation subcontracting services to the Acro Group, and as of February 8, 2013, is owed $3,800 for subcontracting services provided to date (such balance, as of the day prior to the Closing Date, the "AR Balance").

Total consideration to be received by the Acro Group for the Acquired Assets consists of (i) IES Residential's release of the AR Balance, (ii) payment by IES Renewable to the Acro Group of a percentage of future gross revenue generated from the Acquired Assets in an amount not to exceed $2,000 over the 12-month period beginning the first full month following the Closing Date, subject to certain reductions as described in the Agreement, and (iii) between $700 and $800 representing amounts paid by IES Residential, to the Acro Group to fund certain of its operating expenses between January 4, 2013 and closing of the transaction. Due to the uncertainty surrounding the collection of the Acro Group receivable balance during the first quarter of fiscal 2013, we did not recognize $1,900 of revenue related to subcontracting services performed and deferred $1,500 of related costs during the three months ended December 31, 2012. As such, we have $1,900 of accounts receivable ($3,800 due to IES Residential, less $1,900 of revenue not recorded during the three months ended December 31, 2012) and $1,500 of deferred costs recorded within our December 31, 2012 Consolidated Balance Sheet.

The Company expects the fair value of the Acquired Assets to approximate the value of the total consideration to be received by the Acro Group. As of the date of this Quarterly Report on Form 10-Q the allocation of consideration for the Acquired Assets has not been determined and will be provided in a subsequent filing. We have determined that the transaction is significant to our Consolidated Financial Statements as of September 30, 2012. As such, we will file financial statements, including the pro forma financial information, related to the Acquired Assets within the time period prescribed by Item 9.01(a)(4) of Form 8-K.

The foregoing description of the Asset Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the provisions of the Asset Purchase Agreement, which is filed as Exhibit 2.1 to this Quarterly Report on Form 10-Q. The Asset Purchase Agreement is filed herewith to provide investors with information regarding its terms and is not intended to provide any other factual information about the Company or the Acro Group.

Amendment of 2012 Credit Facility and Repayment of the Tontine Term Loan

On February 12, 2013, we entered into an amendment of our 2012 Credit Facility (the "Amendment"). Pursuant to the Amendment, Wells Fargo Bank, National Association ("Wells Fargo") has provided the Company with a $5,000 term loan (the "Wells Fargo Term Loan"). While the Term Loan bears interest at a per annum rate equal to Daily Three Month LIBOR plus 6.00%, the Company and Wells Fargo intend to enter into an interest rate swap, whereby the Company will cause the interest rate for borrowings under the Term Loan to be fixed at 7.00% per annum. Interest and principal payments are due in monthly installments over a 24-month period. The Company may prepay the Wells Fargo Term Loan in part or in whole prior to its stated maturity upon the payment of the outstanding principal amount, accrued

INTEGRATED ELECTRICAL SERVICES, INC.
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but unpaid interest and prepayment fees. The Amendment extends the term of the 2012 Credit Facility to August 9, 2016 and adds IES Renewable Energy, LLC as a borrower on the 2012 Credit Facility. On February 13, 2013, we used proceeds from the Wells Fargo Term Loan plus unrestricted cash on hand to repay in full the $10,000 outstanding under the Tontine Term Loan, plus accrued interest. The resulting payment structure of the Wells Fargo Term Loan evidences our ability and intent to repay the loan over a period greater than twelve months. As such, we have classified the Wells Fargo Term Loan in both the current and long term portion of our December 31, 2012 Consolidated Balance Sheet. For a description of the 2012 Credit Facility, please see Note 4, "Debt" in the notes to these Consolidated Financial Statements.

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the provisions of the Amendment, which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q.

2. CONTROLLING SHAREHOLDER

On April 30, 2010, we prepaid $15,000 of the original $25,000 principal outstanding on the Tontine Term Loan, and $10,000 remained outstanding on the Tontine Term Loan as of December 31, 2012. Pursuant to its terms, we were permitted to repay the Tontine Term Loan at any time prior to the maturity date at par, plus accrued interest without penalty within the restrictions of the 2012 Credit Facility. The 2012 Credit Facility requires that the Company extend the maturity date of or refinance the Tontine Term Loan prior to or on February 15, 2013. On February 12, 2013, we entered into the Amendment to the 2012 Credit Facility pursuant to which, Wells Fargo provided the Company with a $5,000 term loan. On February 13, 2013, we prepaid the remaining $10,000 of principal on the Tontine Term Loan with existing cash on hand and proceeds from the Wells Fargo Term Loan. For a description of the Amendment and the Wells Fargo Term Loan, please see Note 1, "Business—Subsequent Events" in the notes to these Consolidated Financial Statements.

While Tontine is subject to restrictions under federal securities laws on sales of its shares as an affiliate, Tontine is party to a Registration Rights Agreement with the Company under which it has the ability, subject to certain restrictions, to demand registration of its shares in order to permit unrestricted sales of those shares. Tontine has indicated to the Company that it may seek to register some or all of its shares in the near future.

Should Tontine sell or exchange all or a portion of its position in IES, a change in ownership could occur. A change in ownership, as defined by Internal Revenue Code Section 382, could reduce the availability of net operating losses ("NOLs") for federal and state income tax purposes. On January 28, 2013, the Company implemented a tax benefit protection plan (the "NOL Rights Plan") that is designed to deter an acquisition of the Company's stock in excess of a threshold amount that could trigger a change of control within the meaning of Internal Revenue Code Section 382. For additional information regarding the NOL Rights Plan, please see our Current Report on Form 8-K, filed with the SEC on January 28, 2013 (the "Form 8-K"). This description of the NOL Rights Plan is qualified in its entirety by reference to the NOL Rights Plan, which is filed as an exhibit to the Form 8-K. There can be no assurance that the NOL Rights Plan will be effective in deterring a change of control or protecting the NOLs. Furthermore, a change in control would trigger the change of control provisions in a number of our material agreements, including our 2012 Credit Facility, bonding agreements with our sureties and certain employment contracts with certain officers and employees of the Company.

3. STRATEGIC ACTIONS

We seek to create shareholder value through above average returns on capital and generation of free cash flow. As a result, we have increased our focus to return the Company to profitability, as described below. In addition, we seek to acquire or invest in similar stand-alone platform companies based in North America or acquire businesses that strategically fit within our existing business segments, as described further under "Corporate Strategy" in Item 1 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

The 2011 Restructuring Plan

In the second quarter of our 2011 fiscal year, we began a restructuring program (the "2011 Restructuring Plan") that was designed to consolidate operations within our Commercial & Industrial business. Pursuant to the 2011 Restructuring Plan, we began the closure of certain underperforming facilities within our Commercial & Industrial operations. The 2011 Restructuring Plan was a key element of our commitment to return the Company to profitability.

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The facilities directly affected by the 2011 Restructuring Plan are in several locations throughout the country, including Arizona, Florida, Iowa, Massachusetts, Louisiana, Nevada and Texas. These facilities were selected due to business prospects at that time and the extended time frame needed to return the facilities to a profitable position. Closure costs associated with the 2011 Restructuring Plan included equipment and facility lease termination expenses, incremental management consulting expenses and severance costs for employees. The Company is in the final stages of winding down these facilities. As part of our restructuring charges reported within discontinued operations for our Commercial & Industrial segment we recognized $(4) and $69 in severance costs, $47 and $483 in consulting services, and $0 and $48 in costs related to lease terminations for the three months ended December 31, 2012 and 2011, respectively.

The 2011 Restructuring Plan pertains only to our Commercial & Industrial segment. The following table summarizes the activities related to our restructuring activities by component:

	Severance Charges	Consulting Charges	Lease Termination & Other Charges	Total
Restructuring liability at September 30, 2012	$ 201	$ 10	$ 329	$ 540
Restructuring charges (reversals) incurred	(4)	47	—	43
Cash payments made	(17)	(54)	(48)	(119)
Restructuring liability at December 31, 2012	$ 180	$ 3	$ 281	$ 464

4. DEBT

Debt consists of the following:

	December 31, 2012	September 30, 2012
Tontine Term Loan, due May 15, 2013, bearing interest at 11.00%	$ 10,000	$ 10,000
Insurance Financing Agreements	2,247	196
Capital leases and other	224	284
Total debt	12,471	10,480
Less—Short-term debt and current maturities of long-term debt	(9,554)	(10,456)
Total long-term debt	$ 2,917	$ 24

Future payments on debt at December 31, 2012 are as follows:

	Capital Leases and Other	Insurance Financing	Term Debt	Total
2013	238	2,247	6,458	8,943
2014	26	—	2,500	2,526
2015	—	—	1,042	1,042
2016	—	—	—	—
Thereafter	—	—	—	—
Less: Imputed Interest	(40)	—	—	(40)
Total	$ 224	$ 2,247	$10,000	$12,471

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For the three months ended December 31, 2012 and 2011, we incurred interest expense of $607 and $622, respectively.

The 2012 Revolving Credit Facility

On August 9, 2012, we entered into a Credit and Security Agreement (the "Credit Agreement"), for a $30,000 revolving credit facility (the "2012 Credit Facility") with Wells Fargo Bank, National Association ("Wells Fargo"). The 2012 Credit Facility originally matured on August 9, 2015, unless earlier terminated. On February 12, 2013, we entered into an amendment of our 2012 Credit Facility with Wells Fargo (the "Amendment"). The Amendment extends the term of the 2012 Credit Facility to August 9, 2016 and adds IES Renewable Energy, LLC as a borrower on the 2012 Credit Facility. In addition, pursuant to the Amendment, Wells Fargo provided the Company with a $5,000 term loan. The Credit Agreement was filed as an Exhibit to our Form 10-K for the year ending September 30, 2012 and any description thereof is qualified in its entirety by the terms of the Credit Agreement, and the Amendment is filed as Exhibit 2.1 hereof and any description thereof is qualified in its entirety by the terms of the Amendment. For further information on this transaction, please refer to the subsequent events discussion within Note 1, Business.

The 2012 Credit Facility contains customary affirmative, negative and financial covenants. The 2012 Credit Facility requires that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability (as defined in the Credit Agreement) is less than $20,000 or Excess Availability is less than $7,500.

Borrowings under the 2012 Credit Facility may not exceed a "borrowing base" that is determined monthly by our lenders based on available collateral, primarily certain accounts receivables and inventories. Under the terms of the 2012 Credit Facility, amounts outstanding other than amounts outstanding on the Wells Fargo Term Loan bear interest at a per annum rate equal to a Daily Three Month LIBOR (as defined in the Credit Agreement), plus an interest rate margin, which is determined quarterly, based on the following thresholds:

Level	Thresholds	Interest Rate Margin
I	Liquidity ≤ $20,000 at any time during the period; or Excess Availability ≤ $7,500 at any time during the period; or Fixed charge coverage ratio < 1.0:1.0	4.00 percentage points
II	Liquidity > $20,000 at all times during the period; and Liquidity ≤ $30,000 at any time during the period; and Excess Availability $7,500; and Fixed charge coverage ratio □ 1.0:1.0	3.50 percentage points
III	Liquidity > $30,000 at all times during the period	3.00 percentage points

While borrowings under the Wells Fargo Term Loan bear interest at a per annum rate equal to Daily Three Month LIBOR plus 6.00%, the Company and Wells Fargo intend to enter into an interest rate swap, whereby the Company will cause the interest rate for borrowings under the Wells Fargo Term Loan to be fixed at 7.00% per annum. Interest is payable in monthly installments over a 24-month period. The Company may prepay the Wells Fargo Term Loan in part or in whole prior to its stated maturity upon the payment of the outstanding principal amount, accrued but unpaid interest and prepayment fees.

In addition, under the 2012 Credit Facility, we are charged monthly in arrears for (1) an unused commitment fee of 0.50% per annum, (2) a collateral monitoring fee ranging from $1 to $2, based on the then-applicable interest rate margin, (3) a letter of credit fee based on the then-applicable interest rate margin and (4) certain other fees and charges as specified in the Credit Agreement.

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The 2012 Credit Facility is guaranteed by our subsidiaries and secured by first priority liens on substantially all of our subsidiaries' existing and future acquired assets, exclusive of collateral provided to our surety providers. The 2012 Credit Facility also restricts us from paying cash dividends and places limitations on our ability to repurchase our common stock. The 2012 Credit Facility requires that the Company extend the maturity date of or refinance the Tontine Term Loan prior to or at February 15, 2013. On February 13, 2013, we prepaid the remaining $10,000 of principal on the Tontine Term Loan plus accrued interest with existing cash on hand and proceeds from the Wells Fargo Term Loan. For further information on this transaction, please refer to the subsequent events discussion within Note 1, *Business.*

At December 31, 2012, we had $21,563 available to us under the 2012 Credit Facility, $7,302 in outstanding letters of credit with Wells Fargo and no outstanding borrowings. The terms surrounding the 2012 Credit Facility agreement with Wells Fargo require that we cash collateralize 100% of our letter of credit balance. As such, we have $7,302 classified as restricted cash within the Balance Sheet as of December 31, 2012.

At December 31, 2012, we were subject to the financial covenant under the 2012 Credit Facility requiring that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability is less than $20,000 or Excess Availability is less than $7,500. As of December 31, 2012, our aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability was in excess of $20,000 and Excess Availability was in excess of $7,500; had we not met these thresholds at December 31, 2012, we would not have met the required 1.0:1.0 fixed charge coverage ratio test.

While we expect to meet our financial covenants, in the event that we are not able to meet the covenants of our 2012 Credit Facility in the future and are unsuccessful in obtaining a waiver from our lenders, the Company expects to have adequate cash on hand to fully collateralize our outstanding letters of credit and to provide sufficient cash for ongoing operations.

The 2006 Revolving Credit Facility

On May 12, 2006, we entered into a Loan and Security Agreement (the "Loan and Security Agreement"), for a revolving credit facility (the "2006 Credit Facility") with Bank of America, N.A. and certain other lenders. On August 9, 2012, the 2006 Credit Facility was replaced by the 2012 Credit Facility. The 2006 Credit Facility and its amendments are filed as Exhibits to this Form 10-K and any descriptions thereof are qualified in their entirety by the terms of the 2006 Credit Facility or its respective amendments. On May 7, 2008, we renegotiated the terms of our 2006 Credit Facility and entered into an amended agreement with the same financial institutions. On April 30, 2010, we renegotiated the terms of, and entered into an amendment to the Loan and Security Agreement pursuant to which the maturity date was extended to May 31, 2012. In connection with the amendment, we incurred an amendment fee of $200, which was amortized over 24 months.

On December 15, 2011, we renegotiated the terms of, and entered into an amendment to, the Loan and Security Agreement without incurring termination charges. Under the terms of the amended 2006 Credit Facility, the size of the facility was reduced to $40,000 and the maturity date was extended to November 12, 2012. Under the terms of the amended 2006 Credit Facility, we were required to cash collateralize all of our letters of credit issued by the banks. The cash collateral was added to the borrowing base calculation at 100% throughout the term of the agreement. The 2006 Credit Facility required that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash on hand plus availability was less than $25,000 and, thereafter, until such time as our aggregate amount of unrestricted cash on hand plus availability had been at least $25,000 for a period of 60 consecutive days. The amended Agreement also called for cost of borrowings of 4.0% over LIBOR per annum. Cost for letters of credit was the same as borrowings and also included a 25 basis point "fronting fee." All other terms and conditions remained unchanged. In connection with the amendment, we incurred an amendment fee of $60 which, together with unamortized balance of the prior amendment was amortized using the straight line method through August 30, 2012.

The 2006 Credit Facility was guaranteed by our subsidiaries and secured by first priority liens on substantially all of our subsidiaries' existing and future acquired assets, exclusive of collateral provided to our surety providers. The 2006 Credit Facility contained customary affirmative, negative and financial covenants. The 2006 Credit Facility also restricted us from paying cash dividends and placed limitations on our ability to repurchase our common stock.

Borrowings under the 2006 Credit Facility could not exceed a "borrowing base" that was determined monthly by our lenders based on available collateral, primarily certain accounts receivables and inventories. Under the terms of the 2006 Credit Facility in effect as of August 30, 2012, interest for loans and letter of credit fees was based on our Total Liquidity, which is calculated for any given period as the sum of average daily availability for such period plus average daily unrestricted cash on hand for such period as follows:

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Total Liquidity	Annual Interest Rate for Loans	Annual Interest Rate for Letters of Credit
Greater than or equal to $60,000	LIBOR plus 3.00% or Base Rate plus 1.00%	3.00% plus 0.25% fronting fee
Greater than $40,000 and less than $60,000	LIBOR plus 3.25% or Base Rate plus 1.25%	3.25% plus 0.25% fronting fee
Less than or equal to $40,000	LIBOR plus 3.50% or Base Rate plus 1.50%	3.50% plus 0.25% fronting fee

At December 31, 2012, we had $250 in outstanding letters of credit with Bank of America. The terms surrounding the termination of the 2006 Credit Facility require that we cash collateralize 105% of our letter of credit balance. As such, we have $262 classified as restricted cash within the Balance Sheet as of December 31, 2012.

For the three months ended December 31, 2012, we paid no interest for loans under the 2006 Credit Facility and had a weighted average interest rate, including fronting fees, of 3.75% for letters of credit. In addition, we were charged monthly in arrears (1) an unused commitment fee of 0.50%, and (2) certain other fees and charges as specified in the Loan and Security Agreement, as amended.

As of August 9, 2012, we were subject to the financial covenant under the 2006 Credit Facility requiring that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash on hand plus availability is less than $25,000 and, thereafter, until such time as our aggregate amount of unrestricted cash on hand plus availability has been at least $25,000 for a period of 60 consecutive days. As of August 9, 2012, our Total Liquidity was in excess of $25,000.

The Tontine Term Loan

On December 12, 2007, we entered into the Tontine Term Loan, a $25,000 senior subordinated loan agreement, with Tontine, which the Company terminated and prepaid in full subsequent to the first quarter of fiscal 2013, as further described below.

The Tontine Term Loan bore interest at 11.0% per annum and was due on May 15, 2013. Interest was payable quarterly in cash or in-kind at our option. Any interest paid in-kind would bear interest at 11.0% in addition to the loan principal. The Tontine Term Loan was subordinated to the 2012 Credit Facility. The Tontine Term Loan was an unsecured obligation of the Company and its subsidiary borrowers and contained no financial covenants or restrictions on dividends or distributions to stockholders. The Tontine Term Loan was amended on August 9, 2012 in connection with the Company entering into the 2012 Credit Facility. The amendment did not materially impact the Company's obligations under the Tontine Term Loan.

On April 30, 2010, we prepaid $15,000 of principal on the Tontine Term Loan. On May 1, 2010, Tontine assigned the Tontine Term Loan to Tontine Capital Overseas Master Fund II, L.P, also a related party. Pursuant to its terms, we were permitted to repay the Tontine Term Loan at any time prior to the maturity date at par, plus accrued interest without penalty within the restrictions of the 2012 Credit Facility. The 2012 Credit Facility requires that the Company extend the maturity date of or refinance the Tontine Term Loan prior to or on February 15, 2013. On February 12, 2013, we entered into the Amendment to the 2012 Credit Facility. Pursuant to the Amendment, Wells Fargo provided the Company with a $5,000 term loan. On February 13, 2013, we prepaid the remaining $10,000 of principal on the Tontine Term Loan, plus accrued interest, with existing cash on hand and proceeds from the Wells Fargo Term Loan. For further information on this transaction, please refer to the subsequent events discussion within Note 1, *Business*.

Capital Lease

The Company leases certain equipment under agreements, which are classified as capital leases and included in property, plant and equipment. Amortization of this equipment for the three months ended December 31, 2012 and 2011 was $46.

5. PER SHARE INFORMATION

Basic earnings per share is calculated as income (loss) available to common stockholders, divided by the weighted average number of common shares outstanding during the period. If the effect is dilutive, participating securities are included in the computation of basic earnings per share. Our participating securities do not have a contractual obligation to share in the losses in any given period. As a result, these participating securities will not be allocated any losses in the periods of net losses, but will be allocated income in the periods of net income using the two-class method.

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The following table reconciles the components of the basic and diluted income (loss) per share for the three months ended December 31, 2012 and 2011:

	Three Months Ended December 31,	
	2012	2011
Numerator:		
Net income from continuing operations attributable to common shareholders	$ 623	$ 192
Net income from continuing operations attributable to restricted shareholders	10	—
Net income from continuing operations	$ 633	$ 192
Net loss from discontinued operations attributable to common shareholders	$ (123)	$ (3,913)
Net income (loss) from discontinued operations attributable to restricted shareholders	—	—
Net loss from discontinued operations	$ (123)	$ (3,913)
Net income (loss) attributable to common shareholders	$ 500	$ (3,721)
Net income attributable to restricted shareholders	10	—
Net income (loss)	$ 510	$ (3,721)
Denominator:		
Weighted average common shares outstanding—basic	14,801,903	14,569,089
Effect of dilutive stock options and non-vested restricted stock	117,286	—
Weighted average common and common equivalent shares outstanding —diluted	14,919,189	14,569,089
Basic income (loss) per share:		
Basic income per share from continuing operations	$ 0.04	$ 0.01
Basic loss per share from discontinued operations	$ (0.01)	$ (0.27)
Basic income (loss) per share	$ 0.03	$ (0.26)
Diluted income (loss) per share:		
Diluted income per share from continuing operations	$ 0.04	$ 0.01
Diluted loss per share from discontinued operations	$ (0.01)	$ (0.27)
Diluted income (loss) per share	$ 0.03	$ (0.26)

For the three months ended December 31, 2012 and 2011, zero and 20,000 stock options, respectively, were excluded from the computation of fully diluted earnings per share because the exercise prices of the options were greater than the average price of our common stock. For the three months ended December 31, 2012 and 2011, zero and 388,860 shares, respectively, of restricted stock were excluded from the computation of fully diluted earnings per share because we reported a loss from continuing operations.

6. OPERATING SEGMENTS

We manage and measure performance of our business in three distinct operating segments: Communications, Residential and Commercial & Industrial. These segments are reflective of how the Company's Chief Operating Decision Maker ("CODM") reviews operating results for the purposes of allocating resources and assessing performance. The Company's CODM is its Chief Executive Officer. The Communications segment is a nationwide provider of products and services for mission critical infrastructure, such as

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data centers, of large corporations. The Residential segment is a regional provider of electrical installation services for single-family housing and multi-family apartment complexes. The Commercial & Industrial segment provides electrical design, construction, and maintenance services to the commercial and industrial markets in various regional markets and nationwide in certain areas of expertise, such as the power infrastructure market.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We evaluate performance based on income from operations of the respective business units prior to the allocation of Corporate office expenses. Transactions between segments are eliminated in consolidation. Our Corporate office provides general and administrative as well as support services to our three operating segments. Management allocates costs between segments for selling, general and administrative expenses and depreciation expense.

Segment information for the three months ended December 31, 2012 and 2011 is as follows:

	Three Months Ended December 31, 2012				
	Communications	Residential	Commercial & Industrial	Corporate	Total
Revenues	$ 40,119	$36,005	$ 51,140	$ —	$127,264
Cost of services	32,887	29,899	46,498	—	109,284
Gross profit	7,232	6,106	4,642	—	17,980
Selling, general and administrative	3,558	5,228	3,736	2,400	14,922
Loss (gain) on sale of assets	1	(9)	(11)	—	(19)
Income (loss) from operations	$ 3,673	$ 887	$ 917	$ (2,400)	$ 3,077
Other data:					
Depreciation and amortization expense	$ 87	$ 95	$ 57	$ 300	$ 539
Capital expenditures	41	26	13	—	80
Total assets	$ 34,072	$31,914	$ 54,436	$44,736	$165,158

	Three Months Ended December 31, 2011				
	Communications	Residential	Commercial & Industrial	Corporate	Total
Revenues	$ 25,162	$29,272	$ 54,564	$ —	$108,998
Cost of services	21,597	24,626	49,582	—	95,805
Gross profit	3,565	4,646	4,982	—	13,193
Selling, general and administrative	2,710	4,414	4,071	1,460	12,655
Loss (gain) on sale of assets	(61)	4	(80)	—	(137)
Income (loss) from operations	$ 916	$ 228	$ 991	$ (1,460)	$ 675
Other data:					
Depreciation and amortization expense	$ 52	$ 82	$ 79	$ 287	$ 500
Capital expenditures	$ 42	$ 260	$ -	$ 861	$ 1,163
Total assets	$ 17,899	$23,095	$ 73,383	$47,585	$161,962

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7. STOCKHOLDERS' EQUITY

The 2006 Equity Incentive Plan became effective on May 12, 2006 (as amended, the "2006 Equity Incentive Plan"). The 2006 Equity Incentive Plan provides for grants of stock options as well as grants of stock, including restricted stock. We have approximately 1.0 million shares of common stock authorized for issuance under the 2006 Equity Incentive Plan.

Treasury Stock

During the three months ended December 31, 2012, we repurchased 74,760 common shares from our employees to satisfy minimum tax withholding requirements upon the vesting of restricted stock issued under the 2006 Equity Incentive Plan. We issued 154,500 shares out of treasury stock under our share-based compensation programs.

During the three months ended December 31, 2011, we repurchased 34,578 common shares from our employees to satisfy minimum tax withholding requirements upon the vesting of restricted stock issued under the 2006 Equity Incentive Plan, and 8,055 unvested shares were forfeited by former employees and returned to treasury stock. We issued 100,000 shares out of treasury stock under our share-based compensation programs.

Restricted Stock

Restricted Stock Awards:

Fiscal Year	Shares Granted	Weighted Average Fair Value at Date of Grant	Vested	Forfeitures	Shares Outstanding	Expense recognized through December 31, 2012
2008	101,650	$ 19.17	85,750	15,900	—	$ 1,779
2009	185,100	$ 8.71	146,400	38,700	—	$ 1,344
2010	225,486	$ 3.64	148,047	77,439	—	$ 495
2011	320,000	$ 3.39	160,975	77,205	81,820	$ 524
2012	107,500	$ 2.07	33,334	—	74,166	$ 86
2013	12,500	$ 5.00	—	—	12,500	$ 3

During the three months ended December 31, 2012 and 2011, we recognized $91 and $142, respectively, in compensation expense related to these restricted stock awards. At December 31, 2012, the unamortized compensation cost related to outstanding unvested restricted stock was $479. We expect to recognize $277 of this unamortized compensation expense during the remaining nine months of our 2013 fiscal year and $202 thereafter. A summary of restricted stock awards for the years ended September 30, 2013, 2012 and 2011 is provided in the table below:

	Years Ended September 30,		
	2013	2012	2011
Unvested at beginning of year	257,826	376,200	352,086
Granted	12,500	107,500	320,000
Vested	(101,840)	(192,973)	(165,628)
Forfeited	—	(32,901)	(130,258)
Unvested at end of year	168,486	257,826	376,200

All the restricted shares granted under the 2006 Equity Incentive Plan (vested or unvested) participate in dividends issued to common shareholders, if any.

Phantom Stock Units

Phantom stock units ("PSUs") are primarily granted to the members of the Board of Directors as part of their overall compensation. These PSUs are paid via unrestricted stock grants to each director upon their departure from the Board of Directors. We record compensation expense for the full value of the grant on the date of grant. For the three months ended December 31, 2012 and 2011, we recognized $34 and zero in compensation expense related to these grants.

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From time to time, PSUs are granted to employees. These PSUs are paid via unrestricted stock grants to each employee upon the satisfaction of the grant terms. We record compensation expense for the PSUs granted to employees over the grant vesting period. For the three months ended December 31, 2012 and 2011, we recognized $363 and zero in compensation expense related to these grants.

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Stock Options

We utilized a binomial option pricing model to measure the fair value of stock options granted. Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the term of the awards, the risk-free rate of return, and actual and projected employee stock option exercise behaviors. The expected life of stock options is not considered under the binomial option pricing model that we utilize. The assumptions used in the fair value method calculation for the years ended September 30, 2013, 2012 and 2011 are disclosed in the following table:

	Years Ended September 30,		
	2013	2012	2011
Weighted average value per option granted during the period	$ N/A	$ N/A	$ 2.05
Dividends (1)	$ N/A	$ N/A	$ —
Stock price volatility (2)	N/A	N/A	69.9%
Risk-free rate of return	N/A	N/A	1.9%
Option term	N/A	N/A	10.0 years
Expected life	N/A	N/A	6.0 years
Forfeiture rate (3)	N/A	N/A	0.0%

(1) We do not currently pay dividends on our common stock.
(2) Based upon the Company's historical volatility.
(3) The forfeiture rate for these options was assumed on the date of grant to be zero based on the limited number of employees who have been awarded stock options.

Stock-based compensation expense recognized during the period is based on the value of the portion of the share-based payment awards that is ultimately expected to vest during the period. As stock-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest. We estimate our forfeitures at the time of grant and revise, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The following table summarizes activity under our stock option plans.

	Shares	Weighted Average Exercise Price
Outstanding, September 30, 2010	158,500	$ 18.66
Options granted	20,000	3.24
Exercised	—	—
Forfeited and Cancelled	(158,500)	18.66
Outstanding, September 30, 2011	20,000	$ 3.24
Options granted	—	
Exercised	—	—
Forfeited and Cancelled	—	
Outstanding, September 30, 2012	20,000	$ 3.24
Options granted	—	—
Exercised	—	—
Forfeited and Cancelled	—	—
Outstanding, December 31, 2012	20,000	$ 3.24

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The following table summarizes options outstanding and exercisable at December 31, 2012:

Range of Exercise Prices	Outstanding as of December 31, 2012	Remaining Contractual Life in Years	Weighted-Average Exercise Price	Exercisable as of December 31, 2012	Weighted-Average Exercise Price
$3.24	20,000	8.50	$ 3.24	6,667	$ 3.24
	20,000	8.50	$ 3.24	6,667	$ 3.24

All of our outstanding options vest over a three-year period at a rate of one-third per year upon the annual anniversary date of the grant and expire ten years from the grant date if they are not exercised. Upon exercise of stock options, it is our policy to first issue shares from treasury stock, then to issue new shares. Unexercised stock options expire between July 2016 and November 2018.

During the three months ended December 31, 2012 and 2011, we recognized $3 in compensation expense related to these awards. At December 31, 2012, the unamortized compensation cost related to outstanding unvested stock options was $22. We expect to recognize $10 and $12 of this unamortized compensation expense during the year ended September 30, 2013 and 2014.

The intrinsic value of stock options outstanding and exercisable was $31 and zero at December 31, 2012 and 2011, respectively. The intrinsic value is calculated as the difference between the fair value as of the end of the period and the exercise price of the stock options.

8. SECURITIES AND EQUITY INVESTMENTS

Investment in EnerTech

In April 2000, we committed to invest up to $5,000 in EnerTech. As of September 30, 2009, we fulfilled our $5,000 investment under this commitment. As our investment is 2.31% of the overall ownership in EnerTech at December 31, 2012 and September 30, 2012, we account for this investment using the cost method of accounting. EnerTech's investment portfolio from time to time results in unrealized losses reflecting a possible, other-than-temporary, impairment of our investment. The carrying value of our investment in EnerTech at December 31, 2012 and September 30, 2012 was $919. Our results of operations for the year ended September 30, 2011, included a write down of $967 attributable to our investment in EnerTech.

The following table presents the reconciliation of the carrying value and unrealized gains to the fair value of the investment in EnerTech as of December 31, 2012 and September 30, 2012:

	December 31, 2012	September 30, 2012
Carrying value	$ 919	$ 919
Unrealized gains	81	69
Fair value	$ 1,000	$ 988

At each reporting date, the Company performs evaluations of impairment for this investment to determine if any unrealized losses are other-than-temporary. This evaluation considers a number of factors including, but not limited to, the length of time and extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer and management's ability and intent to hold the securities until fair value recovers. The assessment of the ability and intent to hold these securities to recovery focuses on liquidity needs, asset and liability management objectives and securities portfolio objectives. Based on the results of this evaluation, we believe the unrealized gain at December 31, 2012 indicated our investment was not impaired. As of December 31, 2012 and September 30, 2012, the carrying value of this investment was $919, respectively. See Note 1, *"Business"* "*Controlling Shareholder*" for related disclosures relative to fair value measurements.

In June 2012, we received a distribution from Enertech of $84, which was applied as a reduction in the carrying value of the investment.

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On December 31, 2012, EnerTech's general partner, with the consent of the fund's investors, extended the fund through December 31, 2013. The fund will terminate on this date unless extended by the fund's valuation committee. The fund may be extended for another one-year period through December 31, 2014 with the consent of the fund's valuation committee.

9. EMPLOYEE BENEFIT PLANS

401(k) Plan

In November 1998, we established the Integrated Electrical Services, Inc. 401(k) Retirement Savings Plan (the "401(k) Plan"). All full-time IES employees are eligible to participate on the first day of the month subsequent to completing sixty days of service and attaining age twenty-one. Participants become vested in our matching contributions following three years of service.

Executive Savings Plan

Under the Executive Deferred Compensation Plan adopted on July 1, 2004 (the "Executive Savings Plan"), certain employees are permitted to defer a portion (up to 75%) of their base salary and/or bonus for a Plan Year. The Compensation Committee of the Board of Directors may, in its sole discretion, credit one or more participants with an employer deferral (contribution) in such amount as the Committee may choose ("Employer Contribution"). The Employer Contribution, if any, may be a fixed dollar amount, a fixed percentage of the participant's compensation, base salary, or bonus, or a "matching" amount with respect to all or part of the participant's elective deferrals for such plan year, and/or any combination of the foregoing as the Committee may choose.

Post Retirement Benefit Plans

Certain individuals at one of the Company's locations are entitled to receive fixed annual payments that reach a maximum amount, as specified in the related agreements, for a ten year period following retirement or, in some cases, the attainment of 62 years of age. We recognize the unfunded status of the plan as a non-current liability in our Consolidated Balance Sheet. Benefits vest 50% after ten years of service, which increases by 10% per annum until benefits are fully vested after 15 years of service. We had an unfunded benefit liability of $859 and $791 recorded as of December 31, 2012 and 2011, respectively.

10. FAIR VALUE MEASUREMENTS

Fair Value Measurement Accounting

Fair value is considered the price to sell an asset, or transfer a liability, between market participants on the measurement date. Fair value measurements assume that the asset or liability is (1) exchanged in an orderly manner, (2) the exchange is in the principal market for that asset or liability, and (3) the market participants are independent, knowledgeable, able and willing to transact an exchange. Fair value accounting and reporting establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. Considerable judgment is required to interpret the market data used to develop fair value estimates. As such, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair value.

Financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2012, are summarized in the following table by the type of inputs applicable to the fair value measurements:

	Total Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Money market accounts	$ 536	$ 536	—	—
Executive Savings Plan assets	522	522	—	—
Executive Savings Plan liabilities	407	407	—	—
Total	$ 1,466	$ 1,466	—	—

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Below is a description of the inputs used to value the assets summarized in the preceding table:

Level 1 — Inputs represent unadjusted quoted prices for identical assets exchanged in active markets.

Level 2 — Inputs include directly or indirectly observable inputs other than Level 1 inputs such as quoted prices for similar assets exchanged in active or inactive markets; quoted prices for identical assets exchanged in inactive markets; and other inputs that are considered in fair value determinations of the assets.

Level 3 — Inputs include unobservable inputs used in the measurement of assets. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or related observable inputs that can be corroborated at the measurement date.

11. COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time we are a party to various claims, lawsuits and other legal proceedings that arise in the ordinary course of business. We maintain various insurance coverages to minimize financial risk associated with these proceedings. None of these proceedings, separately or in the aggregate, are expected to have a material adverse effect on our financial position, results of operations or cash flows. With respect to all such proceedings, we record reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. We expense routine legal costs related to these proceedings as they are incurred.

The following is a discussion of our significant legal matters:

Ward Transformer Site

One of our subsidiaries has been identified as one of more than 200 potentially responsible parties ("PRPs") with respect to the clean-up of an electric transformer resale and reconditioning facility, known as the Ward Transformer Site, located in Raleigh, North Carolina. The facility built, repaired, reconditioned and sold electric transformers from approximately 1964 to 2005. We did not own or operate the facility but a subsidiary that we acquired in January 1999 is believed to have sent transformers to the facility during the 1990s. During the course of its operation, the facility was contaminated by Polychlorinated Biphenyls ("PCBs"), which also have been found to have migrated off the site. Based on our investigation to date, there is evidence to support our defense that our subsidiary contributed no PCB contamination to the site.

Four PRPs have commenced clean-up of on-site contaminated soils under an Emergency Removal Action pursuant to a settlement agreement and Administrative Order on Consent entered into between the four PRPs and the U.S. Environmental Protection Agency ("EPA") in September 2005. We are not a party to that settlement agreement or Order on Consent. In April 2009, two of these PRPs, Carolina Power and Light Company and Consolidation Coal Company, filed suit against us and most of the other PRPs in the U.S. District Court for the Eastern District of North Carolina (Western Division) to contribute to the cost of the clean-up.

In addition to the on-site clean-up, the EPA has selected approximately 50 PRPs to which it sent a Special Notice Letter in late 2008 to organize the clean-up of soils off site and address contamination of groundwater and other miscellaneous off-site issues. We were not a recipient of that letter. On January 8, 2013, the EPA held a meeting to discuss potential settlement of its costs associated with the site. The meeting included a number of the defendants, as well as other PRPs not currently in the litigation. The Company was invited to attend this meeting and counsel for the Company attended. The EPA has notified all parties that they must indicate by March 15, 2013 whether they will participate in settlement discussions. This settlement is separate from the 2009 litigation filed by PRPs against the Company and others. The Company intends to participate in the settlement discussions and present to the EPA the evidence developed in the 2009 suit to support the argument that the Company did not contribute PCB contamination to the site. We have tendered a demand for indemnification to the former owner of the acquired corporation that may have transacted business with the facility. As of December 31, 2012, we have not recorded a reserve for this matter, as we believe the likelihood of our responsibility for damages is not probable and a potential range of exposure is not estimable.

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Hamilton Wage and Hour

On August 29, 2012, the Company was served with a wage and hour suit seeking class action certification. On December 4, 2012, the Company was served with a second suit, which included the same allegations but different named plaintiffs. These two cases are almost identical to several others filed by Plaintiffs' attorney against contractors working in the Port Arthur Motiva plant on various projects over the last few years. The claims are based on alleged failure to compensate for time spent bussing to and from the plant, donning safety wear and other activities. It does not appear the company will face significant exposure for any unpaid wages. In a separate earlier case based on the same allegations, a federal district court ruled that the time spent traveling on the busses is not compensable. In early January 2013, the U.S. Court of Appeals for the Fifth Circuit upheld the district court's ruling finding no liability for wages for time spent on bussing into the facility. Our investigation indicates that all other activities alleged either were inapplicable to the Company's employees or took place during times for which the Company's employees were compensated. We have filed responsive pleadings and, following initial discovery, will seek dismissal of the case through summary judgment. As of December 31, 2012, we have not recorded a reserve for this matter, as we believe the likelihood of our responsibility for damages is not probable and a potential range of exposure is not estimable.

Risk-Management

We retain the risk for workers' compensation, employer's liability, automobile liability, general liability and employee group health claims, resulting from uninsured deductibles per accident or occurrence which are subject to annual aggregate limits. Our general liability program provides coverage for bodily injury and property damage. Losses up to the deductible amounts are accrued based upon our known claims incurred and an estimate of claims incurred but not reported. As a result, many of our claims are effectively self-insured. Many claims against our insurance are in the form of litigation. At December 31, 2012, we had $4,570 accrued for insurance liabilities. We are also subject to construction defect liabilities, primarily within our Residential segment. As of December 31, 2012, we had reserved $647 for these claims.

Some of the underwriters of our casualty insurance program require us to post letters of credit as collateral. This is common in the insurance industry. To date, we have not had a situation where an underwriter has had reasonable cause to effect payment under a letter of credit. At December 31, 2012, $6,852 of our outstanding letters of credit were utilized to collateralize our insurance program.

Surety

Many customers, particularly in connection with new construction, require us to post performance and payment bonds issued by a surety. Those bonds provide a guarantee to the customer that we will perform under the terms of our contract and that we will pay our subcontractors and vendors. If we fail to perform under the terms of our contract or to pay subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. We must reimburse the sureties for any expenses or outlays they incur on our behalf. To date, we have not been required to make any reimbursements to our sureties for bond-related costs.

As is common in the surety industry, sureties issue bonds on a project-by-project basis and can decline to issue bonds at any time. We believe that our relationships with our sureties will allow us to provide surety bonds as they are required. However, current market conditions, as well as changes in our sureties' assessment of our operating and financial risk, could cause our sureties to decline to issue bonds for our work. If our sureties decline to issue bonds for our work, our alternatives would include posting other forms of collateral for project performance, such as letters of credit or cash, seeking bonding capacity from other sureties, or engaging in more projects that do not require surety bonds. In addition, if we are awarded a project for which a surety bond is required but we are unable to obtain a surety bond, the result can be a claim for damages by the customer for the costs of replacing us with another contractor.

As of December 31, 2012, the estimated cost to complete our bonded projects was approximately $70,196. We evaluate our bonding requirements on a regular basis, including the terms offered by our sureties. We believe the bonding capacity presently provided by our current sureties is adequate for our current operations and will be adequate for our operations for the foreseeable future. As of December 31, 2012, we had cash totaling $1.0 to collateralize our obligations to certain of our previous sureties (as is included in Other Non-Current Assets in our Consolidated Balance Sheet). Posting letters of credit in favor of our sureties reduces the borrowing availability under our 2012 Credit Facility.

Other Commitments and Contingencies

Some of our customers and vendors require us to post letters of credit as a means of guaranteeing performance under our contracts and ensuring payment by us to subcontractors and vendors. If our customer has reasonable cause to effect payment under a letter of credit, we would be required to reimburse our creditor for the letter of credit. At December 31, 2012, $700 of our outstanding letters of credit were to collateralize our vendors.

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On January 9, 2012, we entered into a settlement agreement with regard to $2,000 of collateral held by a surety who previously issued construction payment and performance bonds for us. The agreement called for a total settlement of $2,200 to be paid in monthly installments through February 2013. We received installments totaling $175 through April 2012; however, the surety then failed to make any payments from April 2012 to August 2012. We filed a motion to enter judgment on the note, and then on August 7, 2012, reached a new payment agreement with the surety. The amended agreement provided for additional collateral and called for the total settlement amount of $2,025 ($2,200 less the $175 already received) to be paid in monthly installments beginning September 30, 2012 through July 2014 with an interest rate of 12%. The surety subsequently negotiated a postponement of the initial installment and began payments with $50 tendered on October 31, 2012 and a second payment of $50 tendered in early December 2012. The surety then requested another postponement and amendment to the payment agreement to modify payment dates based on the production rates of surety's investment in a coal mining operation. On January 2, 2013, the Company tendered a notice of default to the surety and its coal mining operations, which make up the additional collateral negotiated in the first amendment to the settlement agreement. The Company intends to pursue its legal rights against the surety and collateral while continuing attempts to negotiate payments against the balance. Given the surety's failure to make the payments due on December 31, 2012, and January 31, 2013, and its continued attempts to restructure the underlying settlement agreement, the Company has concluded the collection of the receivable is not probable as of December 31, 2012. The Company recorded a reserve in the amount $1,725, bringing the receivable's net carrying value to zero. The reserve was recorded as other expense within our Consolidated Statements of Operations. Currently the Company is not likely to enter into a modified payment structure and therefore likely will pursue the agreed judgment or any other activity targeted at recovery. Nevertheless, the extent of recovery, if any, cannot be determined due to insufficient information provided by the surety. However, the possibility of a partial or full recovery exists as IES aggressively pursues the collection of the collateral. Any recovery in subsequent periods will be recorded as other income.

Between October 2004 and September 2005, we sold all or substantially all of the assets of certain of our wholly-owned subsidiaries. As these sales were assets sales, rather than stock sales, we may be required to fulfill obligations that were assigned or sold to others, if the purchaser is unwilling or unable to perform the transferred liabilities. If this were to occur, we would seek reimbursement from the purchasers. These potential liabilities will continue to diminish over time. To date, we have not been required to perform on any projects sold under this divestiture program.

From time to time, we may enter into firm purchase commitments for materials such as copper or aluminum wire which we expect to use in the ordinary course of business. These commitments are typically for terms less than one year and require us to buy minimum quantities of materials at specific intervals at a fixed price over the term. As of December 31, 2012, we had no such open purchase commitments.

12. DISCONTINUED OPERATIONS

In 2011, we initiated the closure of all or portions of our Commercial & Industrial and Communications facilities in Arizona, Florida, Iowa, Louisiana, Maryland, Massachusetts, Nevada and Texas. The closure of these facilities was a key aspect of our commitment to return the Company to profitability and selected based on their business prospects at that time and the extended time frame needed to return the facilities to a profitable position. We substantially concluded the closure of these facilities as of September 30, 2012. Results from operations of these facilities for the three months ended December 31, 2012 and 2011 are presented in our Consolidated Statements of Operations as discontinued operations.

The components of the results of discontinued operations for these facilities are as follows:

	Three Months Ended December 31,	
	2012	2011
Revenues	$ 516	$ 6,296
Cost of services	450	8,579
Gross profit	66	(2,283)
Selling, general and administrative	161	689
Loss on sale of assets	—	154
Restructuring charge	43	600
Loss from discontinued operations	(138)	(3,726)
(Benefit) provision for income taxes	(15)	187
Net loss from discontinued operations	$ (123)	$ (3,913)

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Included in the Consolidated Balance Sheets at December 31 and September 30, 2012 are the following major classes of assets and liabilities associated with discontinued operations:

	December 31, 2012	September 30, 2012
Assets of discontinued operations:		
Current	$ 5,854	$ 6,127
Liabilities of discontinued operations:		
Current	$ 2,036	$ 3,005

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited consolidated financial statements, the related notes, and management's discussion and analysis included in our Annual Report on Form 10-K for the year ended September 30, 2012. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to the risk factors discussed in the "Risk Factors" sections of our annual report on Form 10-K for the year ended September 30, 2012, and elsewhere in this Quarterly Report on form 10-Q. Actual results may differ materially from those contained in any forward-looking statements.

OVERVIEW

Executive Overview

Please refer to *Item 1. "Business"* of our Annual Report on Form 10-K for the year ended September 30, 2012 for a discussion of the Company's services and corporate strategy. Integrated Electrical Services, Inc., a Delaware corporation, is a leading provider of infrastructure services to the residential, commercial and industrial industries as well as for data centers and other mission critical environments. We operate primarily in the electrical infrastructure markets, with a corporate focus on expanding into other markets through strategic acquisitions or investments.

RESULTS OF OPERATIONS

We report our operating results across three operating segments: Communications, Residential and Commercial & Industrial. Expenses associated with our Corporate office are classified as a fourth segment. The following table presents selected historical results of operations of IES and subsidiaries.

	Three Months Ended December 31,			
	2012		2011	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	$127,264	100.0 %	$108,998	100.0 %
Cost of services	109,284	85.9 %	95,805	87.9 %
Gross profit	17,980	14.1 %	13,193	12.1 %
Selling, general and administrative expenses	14,922	11.7%	12,655	11.6%
Gain on sale of assets	(19)	— %	(137)	(0.1)%
Income from operations	3,077	2.4 %	675	0.6 %
Interest and other expense, net	2,329	1.8 %	502	0.5 %
Income from operations before income taxes	748	0.6 %	173	0.1 %
Provision (benefit) for income taxes	115	0.1 %	(19)	— %
Net income from continuing operations	633	0.5 %	192	0.1 %
Net loss from discontinued operations	(138)	(0.1)%	(3,726)	(3.4)%
(Benefit) provision for income taxes	(15)	— %	187	0.2 %
Net loss from discontinued operations	(123)	(0.1)%	(3,913)	(3.6)%
Net income (loss)	$ 510	0.6 %	$ (3,721)	3.5 %

Consolidated revenues for the three months ended December 31, 2012 were $18.3 million greater than for the three months ended December 31, 2011, an increase of 16.8%. The increase in revenues resulted from a higher volume of projects throughout the organization as economic conditions improved year over year, and the increased activity from multiple large projects in our Communications segment during the three months ended December 31, 2012.

The $4.8 million increase in our consolidated gross profit for the three months ended December 31, 2012, as compared to the three months ended December 31, 2011, was primarily the result of company-wide concerted efforts to return the organization to profitability. Our organization as a whole, and each segment individually, was successful in executing projects, and managing costs to maximize gross profits. Our overall gross profit percentage increased to 14.1% during the three months ended December 31, 2012 as compared to 12.1% during the three months ended December 31, 2011.

Selling, general and administrative expenses include costs not directly associated with performing work for our customers. These costs consist primarily of compensation and benefits related to corporate, division and branch management, occupancy and utilities, training, professional services, information technology costs, consulting fees, travel and certain types of depreciation and amortization. We allocate certain corporate selling, general and administrative costs across our segments as we believe this more accurately reflects the costs associated with operating each segment.

During the three months ended December 31, 2012, our selling, general and administrative expenses were $14.9 million, an increase of $2.3 million, or 17.9%, as compared to the three months ended December 31, 2011. The increase in selling, general and administrative expenses resulted as we increased staffing in response to revenue growth across each segment, and incentive awards incurred in conjunction with specific profitability-based performance goals. Additionally, we incurred $0.5 million in equity compensation expense due to an unusual amount of restricted stock vesting within our corporate segment during the three months ended December 31, 2012, as compared to $0.1 million during the three months ended December 31, 2011.

Communications

	Three Months Ended December 31,			
	2012		2011	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenue	$40,119	100.0%	$25,162	100.0%
Gross Profit	7,232	18.0%	3,565	14.2%
Selling, general and administrative expenses	3,558	8.9%	2,710	10.8%

Revenue. Our Communications segment revenues increased $15.0 million during the three months ended December 31, 2012, a 59.4% increase compared to the three months ended December 31, 2011. This increase is primarily due to the increased activity from multiple large data center and high tech manufacturing projects during the three months ended December 31, 2013. We believe the expansion of technology, cloud computing and increased demands for consumer focused data storage and collection, has led to an increase in demand for additional data center capacity. Revenues attributable to data centers were $13.9 million for the quarter ended December 31, 2012 compared to $10.2 million for the quarter ended December 31, 2011. Revenues from high tech manufacturing projects were $11.6 million during the quarter ended December 31, 2012, and $2.8 million during the quarter ended December 31, 2011. Although the growth in data center and high tech manufacturing projects continued to be significant for the quarter ended December 31, 2012, and we continue to bid on significant project opportunities, we do not necessarily expect this level of business or growth will continue, as our large size project work is periodically awarded.

Gross Profit. Our Communications segment's gross profit during the three months ended December 31, 2012 increased $3.7 million, or 102.9%, as compared to the three months ended December 31, 2011. Gross profit as a percentage of revenue increased 3.8% to 18.0% for the quarter ended December 31, 2012, due primarily to the increased activity from data center and high tech manufacturing projects, and to a lesser extent, increased supplier rebates during the three months ended December 31, 2012.

Selling, General and Administrative Expenses. Our Communications segment's selling, general and administrative expenses increased $0.8 million, or 31.3%, during the three months ended December 31, 2012 compared to the three months ended December 31, 2011. Selling, general and administrative expenses as a percentage of revenues in the Communication segment decreased 1.9% to 8.9% of segment revenue during the quarter ended December 31, 2012. While higher expenses associated with our increased staffing in response to revenue growth, and incentive awards for achieving specific performance goals increased for the three months ended December 31, 2012, selling, general and administrative expenses as a percent of revenue decreased. During the three months ended December 31, 2011, we experienced higher selling, general and administrative costs in our San Diego operations, due primarily to legal fees. These costs were not duplicated in the three months ended December 31, 2012.

Residential

	Three Months Ended December 31,			
	2012		2011	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenue	$36,005	100.0%	$29,272	100.0%
Gross Profit	6,106	17.0%	4,646	15.9%
Selling, general and administrative expenses	5,228	14.5%	4,414	15.1%

Revenue. Our Residential segment revenues increased $6.7 million during the three months ended December 31, 2012, an increase of 23.0% as compared to the three months ended December 31, 2011. Revenues for our multi-family construction increased by $3.4 million during the quarter ended December 31, 2012, primarily driven by the increased demand for rental housing. Rental housing demand was partially driven by the deferral of purchases of single family homes due to continued restrictive lending practices for single family purchases, an uncertain job market and lower apartment vacancy rates. Single family construction revenues increased by $4.0 million, primarily in the Texas markets, as overall market conditions have started to improve. During the three months ended December 31, 2012, we determined the collectability of a receivable balance related to our solar division had become uncertain. As such, we did not recognize $1.9 million in revenue earned and $1.5 million in associated costs during the three months ended December 31, 2012 related to the receivable balance in question. We have subsequently entered into an asset purchase agreement with our customer, as described in Item 5 of this Quarterly Report on Form 10-Q, and will incorporate the $1.5 million in deferred costs within the purchase accounting. For additional information, please refer to our discussion of subsequent events within Note 1, *Business*, and to Item 5 of this Quarterly Report on Form 10-Q.

Gross Profit. During the three months ended December 31, 2012, our Residential segment experienced a $1.5 million, or 31.4%, increase in gross profit as compared to the three months ended December 31, 2011. Gross margin percentage in the Residential segment increased 1.1% to 17.0% during the three months ended December 31, 2012. We attribute much of the increase in Residential's gross margin primarily to the higher volume of single family projects. During the three months ended December 31, 2012, we determined the collectability of a receivable balance related to our solar division had become uncertain. As such, we did not recognize $1.9 million in revenue earned and $1.5 million in associated costs during the three months ended December 31, 2012

related to the receivable balance in question. We have subsequently entered into an asset purchase agreement with our customer, as described in Item 5 of this Quarterly Report on Form 10-Q, and will incorporate the $1.5 million in deferred costs within the purchase accounting. For additional information, please refer to our discussion of subsequent events within Note 1, *Business*, and to Item 5 of this Quarterly Report on Form 10-Q.

Selling, General and Administrative Expenses. Our Residential segment experienced a $0.8 million, or 18.4%, increase in selling, general and administrative expenses during the three months ended December 31, 2012 compared to the three months ended December 31, 2011. Selling, general and administrative expenses as a percentage of revenues in the Residential segment decreased 0.6% to 14.5% of segment revenue during the three months ended December 31, 2012. Much of the increased selling, general and administrative expenses is attributed to increased staffing associated with revenue growth.

Commercial & Industrial

	Three Months Ended December 31,			
	2012		2011	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenue	$51,140	100.0%	$54,564	100.0%
Gross Profit	4,642	9.1%	4,982	9.1%
Selling, general and administrative expenses	3,736	7.3%	4,071	7.5%

Revenue. Revenues in our Commercial & Industrial segment decreased $3.4 million during the three months ended December 31, 2012, a decrease of 6.3% compared to the three months ended December 31, 2011. Our Commercial & Industrial segment is impacted not only by industry construction trends, but also specific industry and local economic trends. Impacts from these trends on our revenues may be delayed due to the long lead time of our projects. Our revenues were also impacted by a refocusing of our business development strategy on projects within our demonstrated areas of expertise and with increased margin expectations. In many of our Commercial markets, we continue to experience increased competition from new entrants, including residential contractors or contractors from other geographic markets.

Gross Profit. Our Commercial & Industrial segment's gross profit during the three months ended December 31, 2012 decreased $0.3 million, or 6.8%, as compared to the three months ended December 31, 2011. Commercial & Industrial's gross margin percentage remained constant at 9.1% during the three months ended December 31, 2012. Although the competitive market that has existed during the prolonged recession has continued to depress project bid margins, we have begun to experience some reprieve. In 2012, we focused our efforts on winning projects within our areas of expertise, and significantly reduced project inefficiencies due to delay and labor turnover.

Selling, General and Administrative Expenses. Our Commercial & Industrial segment's selling, general and administrative expenses during the three months ended December 31, 2012 decreased $0.3 million, or 8.2%, compared to the three months ended December 31, 2011. Selling, general and administrative expenses as a percentage of revenues in the Commercial & Industrial segment decreased 0.2% during the three months ended December 31, 2012, reflective of improved management of overhead costs and scaled operations.

Restructuring Charges

In the second quarter of our 2011 fiscal year, we began the 2011 Restructuring Plan that was designed to consolidate operations within our Commercial & Industrial business. Pursuant to the 2011 Restructuring Plan, we planned to either sell or close certain underperforming facilities within our Commercial & Industrial operations. The 2011 Restructuring Plan was a key element of our commitment to return the Company to profitability. The results of operations related to the 2011 Restructuring Plan are included in the net loss from discontinued operations within our Consolidated Statements of Operations for the years ended September 30, 2012 and 2011.

The facilities directly affected by the 2011 Restructuring Plan were in several locations throughout the country, including Arizona, Florida, Iowa, Louisiana, Massachusetts, Nevada and Texas. These facilities were selected due to their business prospects at that time and the extended time frame needed to return the facilities to a profitable position. As part of our restructuring charges within our Commercial & Industrial segment we recognized $(4) and $69 in severance costs, $47 and $483 in consulting services, and $0 and $48 in costs related to lease terminations for the three months ended December 31, 2012 and 2011, respectively.

The following table presents the elements of costs incurred for the 2011 Restructuring Plan:

	Three Months Ended December 31,	
	2012	2011
	(In thousands)	
Severance compensation	$ (4)	$ 1,455
Consulting and other charges	47	1,531
Lease termination costs	—	799
Total restructuring charges	$ 43	$ 3,785

Interest and Other (Income) Expense, net

	Three Months Ended December 31,	
	2012	2011
	(In thousands)	
Interest expense	$ 472	$ 530
Deferred financing charges	135	91
Total interest expense	607	621
Interest income	(12)	(85)
Other (income) expense, net	1,734	(64)
Total interest and other expense, net	$ 2,329	$ 472

During the three months ended December 31, 2012, we incurred interest expense of $472 thousand primarily comprised of interest expense from the Tontine Term Loan (as defined in "Working Capital" below) and the Insurance Financing Agreements (as defined in "Working Capital" below), an average letter of credit balance of $8.5 million under the 2012 Credit Facility (as defined in "Working Capital" below) and an average unused line of credit balance of $21.5 million. This compares to interest expense of $530 thousand for the three months ended December 31, 2011, on a debt balance primarily comprised of the Tontine Term Loan and the Insurance Financing Agreements, an average letter of credit balance of $10.7 million under the 2006 Credit Facility and an average unused line of credit balance of $47.5 million.

For the three months ended December 31, 2012 and 2011, we earned interest income of $12 thousand and $85 thousand, respectively, on the average Cash and Cash Equivalents balances of $19 million and $21.6 million, respectively.

During the three months ended December 31, 2012, we fully reserved for an outstanding receivable for a settlement agreement with a former surety. The surety has failed to make payments in accordance with the settlement agreement, and has proposed a modified payment structure to satisfy the debt. Currently the Company is not likely to enter into a modified payment structure. The Company has concluded that collectability is not probable as of December 31, 2012, and has recorded a reserve for the entire balance of $1.7 million. The reserve was recorded as other expense within our Consolidated Statements of Operations. Please refer to Note 11, "*Commitments and Contingencies*" for additional information.

Sale of Non-Strategic Manufacturing Facility

On November 30, 2010, a subsidiary of the Company sold substantially all the assets and certain liabilities of a non-strategic manufacturing facility engaged in manufacturing and selling fabricated metal buildings housing electrical equipment, such as switchgears, motor starters and control systems, to Siemens Energy, Inc. As part of this transaction, Siemens Energy, Inc. also acquired certain real property where the fabrication facilities are located from another subsidiary of the Company. The purchase price of $10.1 million was adjusted to reflect working capital variances. The transaction was completed on December 10, 2010 at which time we recognized a gain of $6.8 million.

Sale of Non-Core Electrical Distribution Facility

On February 28, 2011, Key Electrical Supply, Inc, a wholly owned subsidiary of the Company, sold substantially all the assets and certain liabilities of a non-core electrical distribution facility engaged in distributing wiring, lighting, electrical distribution, power control and generators for residential and commercial applications to Elliot Electric Supply, Inc. The purchase price of $6.7 million was adjusted to reflect working capital variances. The loss on this transaction was immaterial.

PROVISION FOR INCOME TAXES

Our provision for income taxes increased from a benefit $19 thousand for the three months ended December 31, 2011 to an expense of $0.1 million for the three months ended December 31, 2012. The increase is mainly attributable to an increase federal tax expense and an increase in state tax expense. We provided a valuation allowance for the federal tax benefit resulting from the loss of operations for the three months ended December 31, 2011. As a result, we did not recognize any net benefit for federal taxes for the years ended December 31, 2011.

WORKING CAPITAL

During the three months ended December 31, 2012, working capital decreased by $12.0 million from December 31, 2011, reflecting a $6.1 million increase in current assets and an $18.1 million increase in current liabilities during the period.

During the three months ended December 31, 2012, our current assets increased by $6.1 million, or 4.3%, to $149.5 million, as compared to $143.4 million as of December 31, 2011. Cash and cash equivalents increased by $2.3 million during the quarter ended December 31, 2012 as compared to December 31, 2011. The current trade accounts receivables, net, decreased by $4.9 million at December 31, 2012, as compared to December 31, 2011. Days sales outstanding ("DSOs") decreased to 56 as of December 31, 2012 from 67 as of December 31, 2011. The improvement was driven predominantly by increased collection efforts. While the rate of collections may vary, our secured position, resulting from our ability to secure liens against our customers' overdue receivables, reasonably assures that collection will occur eventually to the extent that our security retains value. We also experienced a $2.9 million increase in retainage and a $0.2 million decrease in costs in excess of billings during the quarter ended December 31, 2012 compared to December 31, 2011.

During the three months ended December 31, 2012, our total current liabilities increased by $18.1 million to $101.6 million, compared to $83.5 million as of December 31, 2011. During the quarter ended December 31, 2012 accounts payable and accrued expenses increased $6.0 million. Billings in excess of costs increased by $4.7 million during the quarter ended December 31, 2012 compared to December 31, 2011. Finally, current maturities of long-term debt increased by $7.4 million during the quarter ended December 31, 2012 compared to December 31, 2011 primarily due to the shifting of classification of the Tontine Term Loan from long term to current portion of long-term debt.

Surety

Many customers, particularly in connection with new construction, require us to post performance and payment bonds issued by a surety. These bonds provide a guarantee to the customer that we will perform under the terms of our contract and that we will pay our subcontractors and vendors. If we fail to perform under the terms of our contract or to pay subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. We must reimburse the sureties for any expenses or outlays they incur on our behalf. To date, we have not been required to make any reimbursements to our sureties for bond-related costs.

As is common in the surety industry, sureties issue bonds on a project-by-project basis and can decline to issue bonds at any time. We believe that our relationships with our sureties will allow us to provide surety bonds as they are required. However, current market conditions, as well as changes in our sureties' assessment of our operating and financial risk, could cause our sureties to decline to issue bonds for our work. If our sureties decline to issue bonds for our work, our alternatives would include posting other forms of collateral for project performance, such as letters of credit or cash, seeking bonding capacity from other sureties, or engaging in more projects that do not require surety bonds. In addition, if we are awarded a project for which a surety bond is required but we are unable to obtain a surety bond, the result could be a claim for damages by the customer for the costs of replacing us with another contractor.

As of December 31, 2012, the estimated cost to complete our bonded projects was approximately $70.2 million. We believe the bonding capacity presently provided by our sureties is adequate for our current operations and will be adequate for our operations for the foreseeable future. As of December 31, 2012, we utilized $1.0 million of cash (as is included in "Other Non-Current Assets" in our Consolidated Balance Sheet) as collateral for certain of our previous bonding programs.

The 2012 Revolving Credit Facility

On August 9, 2012, we entered into a Credit and Security Agreement (the "Credit Agreement"), for a $30.0 million revolving credit facility (the "2012 Credit Facility") with Wells Fargo Bank, National Association ("Wells Fargo"). The 2012 Credit Facility originally matured on August 9, 2015, unless earlier terminated. On February 12, 2013, we entered into an amendment of our 2012 Credit Facility with Wells Fargo (the "Amendment"). The Amendment extends the term of the 2012 Credit Facility to August 9, 2016 and adds IES Renewable Energy, LLC as a borrower on the 2012 Credit Facility. In addition, pursuant to the Amendment, Wells Fargo provided the Company with a $5.0 million term loan. The Credit Agreement was filed as an Exhibit to our Form 10-K for the year ending September 30, 2012 and any description thereof is qualified in its entirety by the terms of the Credit Agreement, and the Amendment is filed as Exhibit 2.1 hereof and any description thereof is qualified in its entirety by the terms of the Amendment. For further information on this transaction, please refer to the subsequent events discussion within Note 1, Business.

The 2012 Credit Facility contains customary affirmative, negative and financial covenants. The 2012 Credit Facility requires that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability (as defined in the Credit Agreement) is less than $20.0 million or Excess Availability is less than $7.5 million.

Borrowings under the 2012 Credit Facility may not exceed a "borrowing base" that is determined monthly by our lenders based on available collateral, primarily certain accounts receivables and inventories. Under the terms of the 2012 Credit Facility, amounts outstanding other than amounts outstanding on the Wells Fargo Term Loan bear interest at a per annum rate equal to a Daily Three Month LIBOR (as defined in the Credit Agreement), plus an interest rate margin, which is determined quarterly, based on the following thresholds:

Level	Thresholds	Interest Rate Margin
I	Liquidity ≤ $20.0 million at any time during the period; or Excess Availability ≤ $7.5 million at any time during the period; or Fixed charge coverage ratio < 1.0:1.0	4.00 percentage points
II	Liquidity > $20.0 million at all times during the period; and Liquidity ≤ $30.0 million at any time during the period; and Excess Availability $7.5 million; and Fixed charge coverage ratio □ 1.0:1.0	3.50 percentage points
III	Liquidity > $30.0 million at all times during the period	3.00 percentage points

While borrowings under the Wells Fargo Term Loan bear interest at a per annum rate equal to Daily Three Month LIBOR plus 6.00%, the Company and Wells Fargo intend to enter into an interest rate swap, whereby the Company will cause the interest rate for borrowings under the Wells Fargo Term Loan to be fixed at 7.00% per annum. Interest is payable in monthly installments over a 24-month period. The Company may prepay the Wells Fargo Term Loan in part or in whole prior to its stated maturity upon the payment of the outstanding principal amount, accrued but unpaid interest and prepayment fees.

In addition, under the 2012 Credit Facility, we are charged monthly in arrears for (1) an unused commitment fee of 0.50% per annum, (2) a collateral monitoring fee ranging from $1 thousand to $2 thousand, based on the then-applicable interest rate margin, (3) a letter of credit fee based on the then-applicable interest rate margin and (4) certain other fees and charges as specified in the Credit Agreement.

The 2012 Credit Facility is guaranteed by our subsidiaries and secured by first priority liens on substantially all of our subsidiaries' existing and future acquired assets, exclusive of collateral provided to our surety providers. The 2012 Credit Facility also restricts us from paying cash dividends and places limitations on our ability to repurchase our common stock. The 2012 Credit Facility requires that the Company extend the maturity date of or refinance the Tontine Term Loan prior to or at February 15, 2013. On February 13, 2013, we prepaid the remaining $10.0 million of principal on the Tontine Term Loan plus accrued interest with existing cash on hand and proceeds from the Wells Fargo Term Loan. For further information on this transaction, please refer to the subsequent events discussion within Note 1, *Business.*

At December 31, 2012, we had $21.6 million available to us under the 2012 Credit Facility, $7.3 million in outstanding letters of credit with Wells Fargo and no outstanding borrowings. The terms surrounding the 2012 Credit Facility agreement with Wells Fargo require that we cash collateralize 100% of our letter of credit balance. As such, we have $7.3 million classified as restricted cash within the Balance Sheet as of December 31, 2012.

At December 31, 2012, we were subject to the financial covenant under the 2012 Credit Facility requiring that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability is less than $20.0 million or Excess Availability is less than $7.5 million. As of December 31, 2012, our aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability was in excess of $20.0 million and Excess Availability was in excess of $7.5 million; had we not met these thresholds at December 31, 2012, we would not have met the required 1.0:1.0 fixed charge coverage ratio test.

While we expect to meet our financial covenants, in the event that we are not able to meet the covenants of our 2012 Credit Facility in the future and are unsuccessful in obtaining a waiver from our lenders, the Company expects to have adequate cash on hand to fully collateralize our outstanding letters of credit and to provide sufficient cash for ongoing operations.

The 2006 Revolving Credit Facility

On May 12, 2006, we entered into a Loan and Security Agreement (the "Loan and Security Agreement"), for a revolving credit facility (as amended, the "2006 Credit Facility") with Bank of America, N.A. and certain other lenders. Under the terms of the amended 2006 Credit Facility, the size of the facility was $40.0 million and the maturity date was November 12, 2012. On August 9, 2012, the amended 2006 Credit Facility was replaced by the 2012 Credit Facility.

Under the terms of the amended 2006 Credit Facility, we were required to cash collateralize all of our letters of credit issued by the banks. The cash collateral was added to the borrowing base calculation at 100% throughout the term of the agreement. The 2006 Credit Facility required that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash on hand plus availability was less than $25.0 million and, thereafter, until such time as our aggregate amount of unrestricted cash on hand plus availability had been at least $25.0 million for a period of 60 consecutive days. The amended Agreement also called for cost of borrowings of 4.0% over LIBOR per annum. Cost for letters of credit was the same as borrowings and also included a 25 basis point "fronting fee." In connection with the most recent amendment to the 2006 Credit Facility, we incurred an amendment fee of $0.1 million which, together with unamortized balance of the prior amendment was amortized using the straight line method through August 30, 2012.

The 2006 Credit Facility was guaranteed by our subsidiaries and secured by first priority liens on substantially all of our subsidiaries' existing and future acquired assets, exclusive of collateral provided to our surety providers. The 2006 Credit Facility contained customary affirmative, negative and financial covenants. The 2006 Credit Facility also restricted us from paying cash dividends and placed limitations on our ability to repurchase our common stock.

Borrowings under the 2006 Credit Facility could not exceed a "borrowing base" that was determined monthly by our lenders based on available collateral, primarily certain accounts receivables and inventories. Under the terms of the 2006 Credit Facility in effect as of August 30, 2012, interest for loans and letter of credit fees was based on our Total Liquidity, which is calculated for any given period as the sum of average daily availability for such period plus average daily unrestricted cash on hand for such period as follows:

Total Liquidity	Annual Interest Rate for Loans	Annual Interest Rate for Letters of Credit
Greater than or equal to $60.0 million	LIBOR plus 3.00% or Base Rate plus 1.00%	3.00% plus 0.25% fronting fee
Greater than $40.0 million and less than $60.0 million	LIBOR plus 3.25% or Base Rate plus 1.25%	3.25% plus 0.25% fronting fee
Less than or equal to $40.0 million	LIBOR plus 3.50% or Base Rate plus 1.50%	3.50% plus 0.25% fronting fee

At December 31, 2012, we had $250 in outstanding letters of credit with Bank of America. The terms surrounding the termination of the 2006 Credit Facility require that we cash collateralize 105% of our letter of credit balance. As such, we have $262 classified as restricted cash within the Balance Sheet as of December 31, 2012.

For the three months ended December 31, 2012, we paid no interest for loans under the 2006 Credit Facility and had a weighted average interest rate, including fronting fees, of 3.49% for letters of credit. In addition, we were charged monthly in arrears (1) an unused commitment fee of 0.50%, and (2) certain other fees and charges as specified in the Loan and Security Agreement, as amended.

As of August 9, 2012, we were subject to the financial covenant under the 2006 Credit Facility requiring that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash on hand plus availability is less than $25.0 million and, thereafter, until such time as our aggregate amount of unrestricted cash on hand plus availability has been at least $25.0 million for a period of 60 consecutive days. As of August 9, 2012, our Total Liquidity was in excess of $25.0 million.

The Tontine Term Loan

On December 12, 2007, we entered into the Tontine Term Loan, a $25.0 million senior subordinated loan agreement, with Tontine, which the Company terminated and prepaid in full subsequent to the first quarter of fiscal 2013, as further described below.

The Tontine Term Loan bore interest at 11.0% per annum and was due on May 15, 2013. Interest was payable quarterly in cash or in-kind at our option. Any interest paid in-kind would bear interest at 11.0% in addition to the loan principal. The Tontine Term Loan was subordinated to the 2012 Credit Facility. The Tontine Term Loan was an unsecured obligation of the Company and its subsidiary borrowers and contained no financial covenants or restrictions on dividends or distributions to stockholders. The Tontine Term Loan was amended on August 9, 2012 in connection with the Company entering into the 2012 Credit Facility. The amendment did not materially impact the Company's obligations under the Tontine Term Loan.

On April 30, 2010, we prepaid $15.0 million of principal on the Tontine Term Loan. On May 1, 2010, Tontine assigned the Tontine Term Loan to Tontine Capital Overseas Master Fund II, L.P, also a related party. Pursuant to its terms, we were permitted to repay the Tontine Term Loan at any time prior to the maturity date at par, plus accrued interest without penalty within the restrictions of the 2012 Credit Facility. The 2012 Credit Facility requires that the Company extend the maturity date of or refinance the Tontine Term Loan prior to or on February 15, 2013. On February 12, 2013, we entered into the Amendment to the 2012 Credit Facility. Pursuant to the Amendment, Wells Fargo provided the Company with a $5.0 million term loan. On February 13, 2013, we prepaid the remaining $10.0 million of principal on the Tontine Term Loan, plus accrued interest, with existing cash on hand and proceeds from the Wells Fargo Term Loan. For further information on this transaction, please refer to the subsequent events discussion within Note 1, *Business*.

Capital Lease

The Company leases certain equipment under agreements, which are classified as capital leases and included in property, plant and equipment. Amortization of this equipment for the three months ended December 31, 2012 and 2011 was $46 thousand and $46 thousand, respectively, which is included in depreciation expense in the accompanying statements of operations.

Insurance Financing Agreements

From time to time, we elect to finance our commercial insurance policy premiums over a term equal to or less than the term of the policy (each, an "Insurance Financing Agreement"). The terms of the Insurance Financing Agreement for fiscal year 2012 was for twelve months at an interest rate of 1.99%. The Insurance Financing Agreement was collateralized by the gross unearned premiums on the respective insurance policies plus any payments for losses claimed under the policies. The remaining balance due on the Insurance Financing Agreement at December 31, 2012 was $2.2 million. The remaining balance due on the Insurance Financing Agreement at December 31, 2011 was $2.0 million.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2012, we had cash and cash equivalents of $20.9 million, working capital of $53.9 million, $0.25 million of letters of credit outstanding under our 2006 Credit Facility, and $7.3 million of letters of credit and $21.6 million of available capacity under our 2012 Credit Facility. We anticipate that the combination of cash on hand, cash flows and available capacity under our 2012 Credit Facility will provide sufficient cash to enable us to meet our working capital needs, debt service requirements and capital expenditures for property and equipment through the next twelve months. Our ability to generate cash flow is dependent on many factors, including demand for our services, the availability of projects at margins acceptable to us, the ultimate collectability of our receivables, and our ability to borrow on our 2012 Credit Facility, if needed. We were not required to test our covenants under our 2006 Credit Facility or our 2012 Credit Facility during the period. Had we been required to test our covenants, we would have failed at December 31, 2012.

We continue to closely monitor the financial markets and general national and global economic conditions. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents; however, we can provide no assurances that access to our invested cash and cash equivalents will not be impacted in the future by adverse conditions in the financial markets.

Operating Activities

Our cash flow from operations is not only influenced by cyclicality, demand for our services, operating margins and the type of services we provide, but can also be influenced by working capital needs such as the timing of our receivable collections. Working capital needs are generally lower during our fiscal first and second quarters due to the seasonality that we experience in many regions of the country.

Operating activities provided net cash of $3.3 million during the three months ended December 31, 2012, as compared to $9.0 million of net cash used in the three months ended December 31, 2011. We used substantially less cash to reduce our accounts payable and accrued expenses. This production of cash was offset by the increase in prepaid expenses during the three months ended December 31, 2012.

Investing Activities

In the three months ended December 31, 2012, net cash from investing activities used $0.4 million as compared to $0.3 million of net cash used by investing activities in the three months ended December 31, 2011. Investing activities in the three months ended December 31, 2012 was comprised of $0.4 million used for capital expenditures. Investing activities in the three months ended December 31, 2011 included $0.3 million used for capital expenditures.

Financing Activities

Financing activities used net cash of $0.8 million in the three months ended December 31, 2012 compared to $9.0 million used in the three months ended December 31, 2011. Financing activities in the three months ended December 31, 2012 included an increase of $0.4 million in restricted cash to satisfy the requirements of our 2012 Credit Facility, and $0.4 million used to purchase treasury stock to satisfy payroll tax obligations. Financing activities in the three months ended December 31, 2011 included an increase of $8.8 million in restricted cash to satisfy the requirements of our 2012 Credit Facility.

Bonding Capacity

At December 31, 2012, we had adequate surety bonding capacity under our surety agreements. Our ability to access this bonding capacity is at the sole discretion of our surety providers. As of December 31, 2012, the expected cumulative cost to complete for projects covered by our surety providers was $70.2 million. We believe we have adequate remaining available bonding capacity to meet our current needs, subject to the sole discretion of our surety providers. For additional information, please refer to Note 11, "*Commitments and Contingencies – Surety*" in the notes to our Consolidated Financial Statements.

CONTROLLING SHAREHOLDER

On July 21, 2011, Tontine filed an amended Schedule 13D indicating its ownership level of 57.4% of the Company's outstanding common stock. While Tontine is subject to restrictions under federal securities laws on sales of its shares as an affiliate, Tontine is party to a Registration Rights Agreement with the Company under which it has the ability, subject to certain restrictions, to demand registration of its shares in order to permit unrestricted sales of those shares. Tontine has indicated to the Company that it may seek to register some or all of its shares in the near future.

Should Tontine sell or exchange all or a portion of its position in IES, a change in ownership could occur. A change in ownership, as defined by Internal Revenue Code Section 382, could reduce the availability of net operating losses for federal and state income tax purposes. As of September 30, 2012 we have approximately $452 million of federal NOLs that are available to use to offset taxable income, inclusive of NOLs from the amortization of additional tax goodwill. As of September 30, 2012 we have approximately $313 million of federal NOLs that are available to use to offset taxable income, exclusive of NOLs from the amortization of additional tax goodwill. On January 28, 2013, the Company implemented a tax benefit protection plan (the "NOL Rights Plan") that was designed to deter an acquisition of the Company's stock in excess of a threshold amount that could trigger a change of control within the meaning of Internal Revenue Code Section 382, as further described in our Current Report on Form 8-K filed on January 28, 2012. The NOL Rights Plan was filed as Exhibit 4.1 to our Form 8-K filed on January 28, 2012 and any description thereof is qualified in its entirety by the terms of the NOL Rights Plan. There can be no assurance that the NOL Rights Plan will be effective in deterring a change of control or protecting the NOLs. Furthermore, a change in control would trigger the change of control provisions in a number of our material agreements, including our 2012 Credit Facility, bonding agreements with our sureties and certain employment contracts with certain officers and employees of the Company.

On April 30, 2010, we prepaid $15.0 million of the original $25.0 million principal outstanding on the Tontine Term Loan; accordingly at December 31, 2012, $10.0 million remained outstanding under the Tontine Term Loan, which was scheduled to mature on May 15, 2013. On February 13, 2013, we prepaid the remaining $10.0 million of principal on the Tontine Term Loan, plus accrued interest, with existing cash on hand and proceeds from the Wells Fargo Term Loan. Pursuant to its terms, we were permitted to repay the Tontine Term Loan at any time prior to the maturity date at par, plus accrued interest without penalty within the restrictions of the 2012 Credit Facility. For further information on this transaction, please refer to the subsequent events discussion within Note 1, *Business.*

On March 29, 2012, we entered into a sublease agreement with Tontine Associates, LLC, an affiliate of our controlling shareholder, for corporate office space in Greenwich, Connecticut. The lease extends from April 1, 2012 through March 31, 2014, with monthly payments due in the amount of $6 thousand. The lease has terms at market rates and payments by the Company are at a rate consistent with that paid by Tontine Associates, LLC to its landlord.

James M. Lindstrom has served as Chief Executive Officer and President of the Company since October 3, 2011. Mr. Lindstrom previously served in such capacities on an interim basis since June 2011 and has served as Chairman of the Company's Board of Directors since February 2011. Mr. Lindstrom was an employee of Tontine from 2006 until October 2011.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

As is common in our industry, we have entered into certain off-balance sheet arrangements that expose us to increased risk. Our significant off-balance sheet transactions include commitments associated with non-cancelable operating leases, letter of credit obligations, firm commitments for materials and surety guarantees.

We enter into non-cancelable operating leases for many of our vehicle and equipment needs. These leases allow us to retain our cash when we do not own the vehicles or equipment, and we pay a monthly lease rental fee. At the end of the lease, we have no further obligation to the lessor. We may cancel or terminate a lease before the end of its term. Typically, we would be liable to the lessor for various lease cancellation or termination costs and the difference between the fair market value of the leased asset and the implied book value of the leased asset as calculated in accordance with the lease agreement.

Some of our customers and vendors require us to post letters of credit as a means of guaranteeing performance under our contracts and ensuring payment by us to subcontractors and vendors. If our customer has reasonable cause to effect payment under a letter of credit, we would be required to reimburse our creditor for the letter of credit. At December 31, 2012, $0.7 million of our outstanding letters of credit were to collateralize our customers and vendors.

Some of the underwriters of our casualty insurance program require us to post letters of credit as collateral, as is common in the insurance industry. To date, we have not had a situation where an underwriter has had reasonable cause to effect payment under a letter of credit. At December 31, 2012, $6.9 million of our outstanding letters of credit were to collateralize our insurance programs.

From time to time, we may enter into firm purchase commitments for materials such as copper wire and aluminum wire, among others, which we expect to use in the ordinary course of business. These commitments are typically for terms less than one year and require us to buy minimum quantities of materials at specified intervals at a fixed price over the term. As of December 31, 2012, we did not have any open purchase commitments.

Many of our customers require us to post performance and payment bonds issued by a surety. Those bonds guarantee the customer that we will perform under the terms of a contract and that we will pay subcontractors and vendors. In the event that we fail to perform under a contract or pay subcontractors and vendors, the customer may demand the surety to pay or perform under our bond. Our relationship with our sureties is such that we will indemnify the sureties for any expenses they incur in connection with any of the bonds they issue on our behalf. To date, we have not incurred any costs to indemnify our sureties for expenses they incurred on our behalf.

As of December 31, 2012, our future contractual obligations due by September 30 of each of the following fiscal years include (in thousands) (1):

	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Long-term debt obligations	$ 8,705	$3,542	$ —	$ —	$12,247
Operating lease obligations	$ 2,539	$4,265	$1,508	$ 751	$ 9,063
Capital lease obligations	$ 238	$ 26	$ —	$ —	$ 264
Total	$11,482	$7,833	$1,508	$ 751	$21,574

(1) The tabular amounts exclude the interest obligations that will be created if the debt and capital lease obligations are outstanding for the periods presented.

Our other commitments expire by September 30 of each of the following fiscal years (in thousands):

	2013	2014	2015	Thereafter	Total
Standby letters of credit	$5,452	$2,100	$—	$ —	$7,552
Other commitments	$ —	$ —	$—	$ —	$ —
Total	$5,452	$2,100	$—	$ —	$7,552

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Management is actively involved in monitoring exposure to market risk and continues to develop and utilize appropriate risk management techniques. Our exposure to significant market risks includes fluctuations in commodity prices for copper, aluminum, steel and fuel. Commodity price risks may have an impact on our results of operations due to the fixed price nature of many of our contracts. We are also exposed to interest rate risk with respect to our outstanding debt obligations on the 2012 Credit Facility and the Wells Fargo Term Loan. For additional information see *"Disclosure Regarding Forward-Looking Statements"* in Part I of this Form 10-Q.

Commodity Risk

Our exposure to significant market risks includes fluctuations in commodity prices for copper, aluminum, steel and fuel. Commodity price risks may have an impact on our results of operations due to fixed nature of many of our contracts. Over the long-term, we expect to be able to pass along a portion of these costs to our customers, as market conditions in the construction industry will allow.

Interest Rate Risk

We are also exposed to interest rate risk, with respect to our outstanding revolving debt obligations as well as our letters of credit.

The following table presents principal or notional amounts and related interest rates by fiscal year of maturity for our debt obligations at December 31, 2012 (Dollar amounts in thousands):

	2013	2014	2015	2016	2017	Thereafter	Total
Debt Obligations—Fixed Rate:							
Tontine Term Loan (11%)	$10,000	$ —	$ —	$ —	$ —	$ —	$10,000
Capital Lease (22%)	$ 238	$ 26	$ —	$ —	$ —	$ —	$ 264
Fair Value of Debt:							
Fixed Rate	$10,214	$ 22	$ —	$ —	$ —	$ —	$10,236

Item 4. *Controls and Procedures*

Disclosure Controls and Procedures

In accordance with Exchange Act Rule 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2012 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the three months ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

For further information regarding legal proceedings, see Note 11, *"Commitments and Contingencies — Legal Matters*" in the notes to our Consolidated Financial Statements, which is incorporated herein by reference.

Item 1A. ***Risk Factors***

Except as set forth below, there have been no material changes to the risk factors disclosed under Item 1A "Risk Factors" in our annual report on Form 10-K for the fiscal year ended September 30, 2012. You should consider carefully the risks described below and in our Form 10-K for the fiscal year ended September 30, 2012, as well as the other information included in this document before making an investment decision. Our business, results of operations or financial condition could be materially and adversely affected by any of these risks, and the value of your investment may decrease due to any of these risks.

Availability of net operating losses may be reduced by a change in ownership.

A change in ownership, as defined by Internal Revenue Code Section 382, could reduce the availability of net operating losses, ("NOLs"), for federal and state income tax purposes. Should Tontine sell or exchange all or a portion of its position in IES, a change in ownership could occur. Tontine is party to a Registration Rights Agreement with the Company under which it has the ability, subject to certain restrictions, to demand registration of its shares in order to permit unrestricted sales of those shares. Tontine has indicated to the Company that it may seek to register some or all of its shares in the near future. A change in ownership could also result from the purchase of common stock by an existing or a new 5% shareholder as defined by Internal Revenue Code Section 382. As of September 30, 2012 we have approximately $452 million of federal NOLs that are available to use to offset taxable income, inclusive of NOLs from the amortization of additional tax goodwill. As of September 30, 2012 we have approximately $313 million of federal NOLs that are available to use to offset taxable income, exclusive of NOLs from the amortization of additional tax goodwill. Should a change in ownership occur, all NOLs incurred prior to the change in ownership would be subject to limitation imposed by Internal Revenue Code Section 382, which would substantially reduce the amount of NOL currently available to offset taxable income.

On January 28, 2013, the Company implemented a tax benefit protection plan designed to deter an acquisition of the Company's stock in excess of a threshold amount that could trigger a change of control within the meaning of Internal Revenue Code Section 382. The plan is designed to effectively dilute the ownership of such an acquirer through the offering of rights to the Company's other shareholders that could be exercised upon the acquirer's purchase of the Company's stock in excess of the threshold amount. There can be no assurance that the plan will be effective in deterring a change of control or protecting the NOLs.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

None.

Item 3. D*efaults Upon Senior Securities*

None.

Item 4. ***Mine Safety Disclosures***

None.

Item 5. Other Information

Acquisition of Assets from the Acro Group

On February 8, 2013, IES Renewable Energy, LLC ("IES Renewable"), an indirect wholly-owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "Agreement") with a group of entities operating under the name of Acro Group: Residential Renewable Technologies, Inc., Energy Efficiency Solar, Inc. and Lonestar Renewable Technologies Acquisition Corp. (collectively, the "Acro Group"). Pursuant to the terms of the Asset Purchase Agreement, we have agreed to acquire certain assets in connection with the Acro Group's turn-key residential solar integration business (the "Acquired Assets"). The Acquired Assets include, but are not limited to, assets relating to the Acro Group's solar installation sales and marketing platform and the backlog of contracts entered into by Acro Energy with residential solar customers, which provide for the payment of sales and marketing fees in connection with the sale, installation and third-party financing of residential solar equipment. Subject to satisfaction of the closing conditions specified in the Asset Purchase Agreement, the transaction is anticipated to close on February 15, 2013 (the "Closing Date").

Following consummation of the transaction, IES Residential, Inc. ("IES Residential"), a wholly-owned subsidiary of the Company, will offer full-service residential solar integration services, including design, procurement, permitting, installation, financing services through third parties and warranty services for residential customers. IES Residential has previously provided solar installation subcontracting services to the Acro Group, and as of February 8, 2013, is owed $3.8 million for subcontracting services provided to date (such balance, as of the day prior to the Closing Date, the "AR Balance").

Total consideration to be received by the Acro Group for the Acquired Assets consists of (i) IES Residential's release of the AR Balance, (ii) payment by IES Renewable to the Acro Group of a percentage of future gross revenue generated from the Acquired Assets in an amount not to exceed $2.0 million over the 12-month period beginning the first full month following the Closing Date, subject to certain reductions as described in the Agreement and (iii) between $700 and $800 representing amounts paid by IES Residential, to the Acro Group to fund certain of its operating expenses between January 4, 2013 and closing of the transaction. Due to the uncertainty surrounding the collection of the Acro Group receivable balance during the first quarter of fiscal 2013, we did not recognize $1.9 million of revenue related to subcontracting services provided and deferred $1.5 million of related costs during the three months ended December 31, 2012. As such, we have $1.9 million of accounts receivable ($3.8 million due to IES Residential. less $1.9 million of revenue not recorded during the three months ended December 31, 2012) and $1.5 million of deferred costs recorded within our December 31, 2012 Consolidated Balance Sheet.

The Company expects the fair value of the Acquired Assets to approximate the value of the total consideration to be received by the Acro Group. As of the date of this Quarterly Report on Form 10-Q the allocation of consideration for the Acquired Assets has not been determined and will be provided in a subsequent filing. We have determined that the transaction is significant to our Consolidated Financial Statements as of September 30, 2012. As such, we will file financial statements, including the pro forma financial information, related to the Acquired Assets within the time period prescribed by Item 9.01(a)(4) of Form 8-K.

The foregoing description of the Asset Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the provisions of the Asset Purchase Agreement, which is filed as Exhibit 2.1 to this Quarterly Report on Form 10-Q and is incorporated by reference into this Item 5. The Asset Purchase Agreement is filed herewith to provide investors with information regarding its terms and is not intended to provide any other factual information about the Company or the Acro Group.

The representations, warranties and covenants set forth in the Asset Purchase Agreement have been made only for the purposes of the Asset Purchase Agreement and were solely for the benefit of the parties thereto, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures, may have been made for the purposes of allocating contractual risk between the parties to thereto instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Accordingly, the Asset Purchase Agreement is included with this filing only to provide investors with information regarding the terms of the Asset Purchase Agreement, and not to provide investors with any other factual information regarding the parties or their respective businesses, and should be read in conjunction with the disclosures in the Company's periodic reports and other filings with the Securities and Exchange Commission.

Amendment of 2012 Credit Facility and Repayment of the Tontine Term Loan

On February 12, 2013, we entered into an amendment of our 2012 Credit Facility (the "Amendment"). Pursuant to the Amendment, Wells Fargo Bank, National Association ("Wells Fargo") has provided the Company with a $5.0 million term loan (the "Wells Fargo Term Loan"). While the Term Loan bears interest at a per annum rate equal to Daily Three Month LIBOR plus 6.00%, the Company and Wells Fargo intend to enter into an interest rate swap, whereby the Company will cause the interest rate for borrowings under the Term Loan to be fixed at 7.00% per annum. Interest and principal payments are due in monthly installments over a 24-month period. The Company may prepay the Wells Fargo Term Loan in part or in whole prior to its stated maturity upon the payment of the outstanding principal amount, accrued but unpaid interest and prepayment fees. The Amendment extends the term of the 2012 Credit Facility to August 9, 2016 and adds IES Renewable Energy, LLC as a borrower on the 2012 Credit Facility. On February 13, 2013, we used proceeds from the Wells Fargo Term Loan plus unrestricted cash on hand to repay in full the $10.0 million outstanding under the Tontine Term Loan, plus accrued interest. The resulting payment structure of the Wells Fargo Term Loan evidences our ability and intent to repay the loan over a period greater than twelve months. As such, we have classified the Wells Fargo Term Loan in both the current and long term portion of our December 31, 2012 Consolidated Balance Sheet.

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the provisions of the Amendment, which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and is incorporated by reference into this Item 5.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) Financial Statements and Supplementary Data, Financial Statement Schedules and Exhibits

See Index to Financial Statements under Item 8, "*Financial Statements and Supplementary Data"* of this From 10-Q.

(b) Exhibits

2.1	Asset Purchase Agreement, dated February 8, 2013, by and among IES Renewable Energy, LLC, Residential Renewable Energy Technologies, Inc., Energy Efficiency Solar, Inc., and Lonestar Renewable Technologies Acquisition Corp. (Schedules and similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or similar attachment will be furnished supplementally to the Securities and Exchange Commission upon request.) (1)
3.1	Second Amended and Restated Certificate of Incorporation of Integrated Electrical Services, Inc. (Incorporated by reference to Exhibit 4.1 to the Company's registration statement on Form S-8 filed on May 12, 2006)
3.2	Bylaws of Integrated Electrical Services, Inc. (Incorporated by reference to Exhibit 4.2 to the Company's registration statement on Form S-8, filed on May 12, 2006)
10.1	Joinder and First Amendment to Credit and Security Agreement dated February 13, 2013 by and among the Company each of the other Borrowers and Guarantors named therein and Wells Fargo Bank, National Association. (1)
31.1	Rule 13a-14(a)/15d-14(a) Certification of James M. Lindstrom, Chief Executive Officer(1)
31.2	Rule 13a-14(a)/15d-14(a) Certification of Robert W. Lewey, Chief Financial Officer(1)
32.1	Section 1350 Certification of James M. Lindstrom, Chief Executive Officer(1)
32.2	Section 1350 Certification of Robert W. Lewey, Chief Financial Officer(1)
**101.INS	XBRL Instance Document
**101.SCH	XBRL Schema Document
**101.LAB	XBRL Label Linkbase Document
**101.PRE	XBRL Presentation Linkbase Document
**101.DEF	XBRL Definition Linkbase Document
**101.CAL	XBRL Calculation Linkbase Document

** Furnished herewith
(1) Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 14, 2013.

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ ROBERT W. LEWEY
Robert W. Lewey
Senior Vice President and Chief Financial Officer

Exhibit 2.1

ASSET PURCHASE AGREEMENT

by and among

RESIDENTIAL RENEWABLE ENERGY TECHNOLOGIES, INC.,

LONESTAR RENEWABLE TECHNOLOGIES ACQUISITION CORP. AND

ENERGY EFFICIENCY SOLAR, INC.

and

IES RENEWABLE ENERGY, LLC

Dated as of February 8, 2013

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Schedules

Exhibits

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") dated as of February 8, 2013, is entered into by and among IES Renewable Energy, LLC (the "Buyer"), a limited liability company organized under the laws of Delaware and a subsidiary of IES Residential, Inc., a corporation organized under the laws of Delaware ("IES"), Residential Renewable Energy Technologies, Inc. ("Residential"), a corporation organized under the laws of Nevada, Energy Efficiency Solar, Inc. ("EES"), a corporation organized under the laws of California, and Lonestar Renewable Technologies Acquisition Corp., successor by way of amalgamation with Acro Energy Technologies Corp. ("Lonestar"), a corporation organized under the laws of British Columbia, (Residential, EES and Lonestar are collectively, the "Sellers" and each a "Seller").

Each of the parties to this Agreement is sometimes referred to individually in this Agreement as a "Party" and all of the parties to this Agreement are sometimes collectively referred to in this Agreement as the "Parties".

R E C I T A L S

WHEREAS, the Buyer desires to purchase the Purchased Assets from the Sellers and the Sellers desire sell the Purchased Assets to the Buyer upon the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the premises, agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and in reliance upon the mutual representations and warranties contained herein, the Parties agree as follows:

A G R E E M E N T S

ARTICLE I
DEFINITIONS; CONSTRUCTION

1.1 Certain Definitions

Capitalized terms used in this Agreement but not defined in the body of this Agreement shall have the meanings ascribed to such terms in Exhibit A. Capitalized terms defined in the body of this Agreement are listed in Exhibit A by location of the definitions of such terms in the body of this Agreement.

1.2 Construction

In this Agreement, unless a clear contrary intention appears: (a) the singular includes the plural and vice versa, (b) reference to a Person includes such Person's successors and assigns but, in the case of a Party, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity, (c) reference to any gender includes each other gender, (d) references to any Exhibit, Schedule, Section, Article, Annex, subsection and other subdivision refer to the corresponding Exhibits, Schedules, Sections, Articles, Annexes, subsections and other subdivisions of this Agreement unless

expressly provided otherwise, (e) references in any Section or Article or definition to any clause means such clause of such Section, Article or definition; (f) "hereunder", "hereof", "hereto" and words of similar import are references to this Agreement as a whole and not to any particular provision of this Agreement, (g) the word "or" is not exclusive, and the word "including" (in its various forms) means "including without limitation", (h) each accounting term not otherwise defined in this Agreement has the meaning commonly applied to it in accordance with GAAP, (i) references to "days" are to calendar days, and (j) all references to money refer to the lawful currency of the United States. The Table of Contents and the Article and Section titles and headings in this Agreement are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

ARTICLE II
PURCHASE AND SALE

2.1 Transfer of Purchased Assets

(a) Upon the terms and conditions of this Agreement, at the Closing, (i) the Sellers shall sell, transfer, convey, assign and deliver to the Buyer the Purchased Assets free and clear of any Encumbrance (other than a Permitted Encumbrance) and (ii) the Buyer shall accept the Purchased Assets and assume the Assumed Obligations.

(b) For purposes of this Agreement, "Purchased Assets" means all of each Sellers' right, title and interest in and to the following assets used or held for use by the Sellers in connection with the Business: (i) the Assumed Leased Real Property and the Assumed Real Property Leases, (ii) the Assumed Personal Property, (iii) the Material Contracts, (iv) the Intellectual Property Assets, (v) all Accounts Receivable, including the Scheduled Accounts Receivable, (vi) all property, plant and equipment of the Business, (vii) all inventory held for internal use in connection with the Business, (viii) the Books and Records, (ix) goodwill, and (x) all of the Sellers' contractual rights, claims, counterclaims, cross claims, credits, causes of action or rights of set-off against third parties relating to the Purchased Assets or the Assumed Obligations, including, unliquidated rights under manufacturers' and vendors' warranties, but excluding the Excluded Assets and those rights, claims, counterclaims, cross claims, credits, causes of action or rights of set-off against third parties directly relating to the Excluded Liabilities. Notwithstanding the forgoing, the Parties agree that Buyer and IES retain all their equitable and legal rights against third parties in the event that claims are made against Buyer or IES in connection with the Purchased Assets or the Assumed Obligations.

2.2 Purchase Price

At the Closing, subject to the terms and conditions of this Agreement and in reliance on the representations and warranties of the Sellers contained in this Agreement, and in consideration of the sale, transfer, conveyance, assignment and delivery of the Purchased Assets pursuant to Section 2.1, the Buyer agrees to pay or cause to be paid the following amounts, subject to adjustment pursuant to Article III (the "Purchase Price"):

(a) Five (5%) of the Gross Revenue for a period of twelve (12) calendar months commencing on the first day of the next full calendar month immediately following Closing Date, in an aggregate amount not to exceed Two Million Dollars ($2,000,000.00) (the "Cap"), payable on

the fifteenth (15th) business day of each month for the prior month (the "Purchase Price Payments"), *provided that* the Purchase Price Payments or the Cap, whichever is less, shall be reduced, by the following amounts (1) $256,000 less the total amount of sales commission payments made by Sellers to their sales staff as of the Closing Date on those Installation Contracts included in the Purchased Assets on which no payment has been received by Sellers, Buyer or IES from OneRoof or SunRun as of the Closing Date, provided that any such sales commission payments have been duly made pursuant to and in accordance with agreements between Sellers and such staff, as set forth in Schedule B1 hereto, which shall amend and become a part of this Agreement as of the Closing Date, (2) any Funding Payments (as defined in the TSA) made by Buyer pursuant to Section 3.01 of the TSA that have not been reimbursed to Buyer pursuant to Section 3.02 of the TSA prior to the Effective Date and that are in respect of payments to any of the following parties: (i) SunRun, Inc., (ii) the State of California, (iii) the Encore Loan, or (iv) any other amount specified by Buyer to be included herein at the time of any Funding Payment under the TSA, which aggregate amount of clauses (i) through (iv) shall be calculated by the Buyer as of the Effective Time, as set forth on Schedule B2 hereof, which shall amend and become a part of this Agreement as of the Closing Date, and applied in equal installments over the ten Purchase Price Payments immediately following the second Purchase Price Payment made hereunder, (3) the Seller's share of the Property Taxes as provided in Section 5.2(b), (4) any Excluded Liabilities assessed against and paid by Buyer, (5) any claims permitted to be made by Buyer under any indemnification provision provided by any Seller hereunder and that have not been submitted to or paid by the applicable Seller or Sellers, and (6) any other amounts required to be reimbursed or paid to Buyer hereunder (including without limitation any amount under Section 2.6 hereof) that are not paid or reimbursed as and when due and payable in accordance with this Agreement. The amounts under items (2) through (6) above shall be applied by Buyer toward reduction of the Purchase Price Payments only in such amounts as and after such item has been actually paid by Buyer. The Sellers hereby direct Buyer to pay all of the Purchase Price Payments solely to Residential on behalf of all of the Sellers.

(b) A waiver, release and forgiveness of the AR Balance effective on the Effective Time (the "Waiver and Release"), *provided, however*, that if the Contemplated Transaction or the transfer of any of the Purchased Assets to Buyer should for any reason subsequently be declared by any Order in any Proceeding to be void or voidable under any state or federal law or Legal Requirement and the transfer is avoided or unwound, or Buyer incurs any Damages in connection with or arising from the Contemplated Transaction or the transfer of any of the Purchased Assets to Buyer for which Buyer has not been indemnified and paid by Sellers, (all collectively, a "Voided Transfer"), then the liability of Sellers for the AR Balance shall automatically be revived, reinstated, and restored to the extent of the Voided Transfer, less the difference between any Gross Revenues generated by the Buyer from the Purchased Assets subject to the Voided Transfer and the Purchase Price Payments, and shall exist as though it had had never been released. On the Closing Date, the Parties shall execute and exchange mutual general releases substantially in the form annexed hereto as Exhibit B.

2.3 Deliveries at Closing

At the Closing, the Sellers will deliver or cause to be delivered to the Buyer, and the Buyer will deliver or cause to be delivered to the Sellers, the various certificates, instruments and documents required to be delivered pursuant to Article VIII.

2.4 Assumed Liabilities

The Buyer is not assuming any liabilities or obligations of the Sellers or any of their respective Related Persons in connection with Contemplated Transactions other than the Assumed Obligations. For the avoidance of doubt, it is understood and agreed that the Sellers and their respective Related Persons shall retain all liability for, and the Buyer and its Related Persons shall not assume or have any obligation with respect to, any Excluded Liabilities.

2.5 Excluded Assets

Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement will constitute or be construed as conferring on the Buyer, the Buyer is not acquiring, and the "Purchased Assets" specifically exclude, any right, title or interest in or to the Excluded Assets.

2.6 Allocation of the Purchase Price

The Buyer and the Sellers agree to cooperate in good faith to determine the allocation of the Purchase Price, as finally determined pursuant to this Section 2.6, and any other consideration required to be taken into account under applicable Legal Requirements among the Purchased Assets and the covenants set forth in Section 5.1 in accordance with IRC Section 1060 and the Treasury Regulations thereunder. On or prior to the 60th day after the final Purchase Price Payment is made, the Buyer shall provide to the Sellers the Buyer's proposed allocation of the Purchase Price and other consideration. Within 60 days after the date of the delivery of such allocation to the Sellers, the Sellers shall propose to the Buyer any changes to such allocation in writing or otherwise shall be deemed to have agreed with such allocation upon the expiration of such 60-day period. The Buyer and the Seller shall cooperate in good faith to mutually agree to such allocation and shall reduce such agreement to writing (as agreed upon, the "Purchase Price Allocation"). If the Sellers and the Buyer are unable to reach an agreement within 30 days after the Buyer's receipt of the Sellers' proposed written changes to such allocation, the dispute shall be resolved and the Purchase Price Allocation shall be determined by the nationally recognized accounting firm engaged by the Buyer for purposes of auditing or reviewing its financial statements. The Purchase Price Allocation, as agreed upon by the Buyer and the Sellers and/or determined by such accounting firm under this Section 2.6, shall be final and binding upon the Parties. Each of the Buyer and the Sellers shall bear all fees and costs incurred by it in connection with the determination of the Purchase Price Allocation, except that the Buyer and the Sellers shall each pay 50% of the fees and expenses of the accounting firm. The Parties shall file timely any forms and statements required under U.S. federal or state income Tax laws consistent with such agreed Purchase Price Allocation. The Purchase Price Allocation shall be revised to take into account subsequent adjustments to the Purchase Price, Assumed Obligations or other consideration, in the manner provided by IRC Section 1060 and the Treasury Regulations thereunder. The Parties shall not file any Tax Return or otherwise take any position with respect to Taxes which is inconsistent with such Purchase Price Allocation, unless required to do so by a final determination as defined in Section 1313 of the IRC. The Buyer and the Sellers agree to promptly advise each other regarding the existence of any Tax audit, controversy or litigation related to the Purchase Price Allocation. The Purchase Price Allocation provided in this Section 2.6 shall in no way be viewed or asserted by any Party as indicative of the Damages that would be suffered by the Buyer if any Seller Party were to breach the provisions of Section 5.1.

2.7 Required Deductions and Withholding

The Buyer shall be entitled to deduct and withhold from any consideration otherwise payable or deliverable to the Sellers such amounts as may be required to be deducted or withheld therefrom under the IRC, under any Tax law or pursuant to any other applicable Legal Requirements. To the extent such amounts are so deducted or withheld, such amounts shall be treated for all purposes as having been paid to the Sellers absent such deduction or withholding.

ARTICLE III
REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE BUSINESS

The Sellers (a) severally, but not jointly, represent and warrant to the Buyer as to the matters set forth in Section 3.1, Section 3.2 and Section 3.22 as of the Closing Date and (b) jointly and severally represents and warrants to the Buyer as to all other matters set forth in this Article III as of the Closing Date. The Sellers acknowledge that the Buyer is relying on the following representations and warranties in entering into this Agreement.

3.1 Organization and Good Standing; Power

Each Seller is duly formed, validly existing and in good standing under the laws of its jurisdiction of organization, with full corporate power and authority to enter into the Transaction Documents to which it is a party and to perform its obligations thereunder, to conduct its business as it is now being conducted, to own, lease, or use the properties and assets that it purports to own, lease or use, and to perform all of its obligations under any Contracts to which it is a party. Except as set forth on Schedule 3.1 of the Disclosure Letter, no Seller has operated under any legal or assumed name other than its current name. The Seller has delivered or otherwise made available to the Buyer true and correct copies of the Organizational Documents of each Seller, as in effect on the date of this Agreement. The Seller has delivered or otherwise made available to the Buyer true and complete copies of the minute books of each Seller for the past five years.

3.2 Authority; No Conflict; Consents

(a) This Agreement has been, and each other Transaction Document to which each Seller is, or will be, a party, is, or will be, when executed and delivered by such Seller, duly and validly executed and delivered by such Seller, and this Agreement is, and each other Transaction Document to which each Seller is, or will be a party, is, or will be, when executed and delivered by such Seller, the valid and binding obligation of such Seller and assuming the due authorization, execution and delivery thereof by the other parties (other than any of the Sellers) hereto and thereto, enforceable against such Seller in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization or other laws affecting creditors' rights and remedies generally and to general equitable principles (such laws and principles being referred to in this Agreement as "Creditors' Rights"). The execution and delivery of each Transaction Document by each Seller and the consummation of the Contemplated Transactions has been duly and validly approved by all corporate action by such Seller or its equity holders.

(b) Except as set forth in Schedule 3.2(b) of the Disclosure Letter, neither the execution and delivery of any Transaction Document by any Seller nor the consummation or performance of any of the Contemplated Transactions by any Seller will, directly or indirectly (with or without notice or passage of time or both):

(i) contravene, conflict with, or result in a violation of any provision of any of the Organizational Documents of such Seller, or any resolution adopted by the board of directors or stockholders (as the case may be) of such Seller;

(ii) contravene, conflict with, or result in a violation of any Legal Requirement, in any material respect, or any Order to which such Person or any of the Purchased Assets is subject;

(iii) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization held by any Seller and required to enable the Buyer to conduct the Business, immediately following the Closing, in substantially the same manner as presently conducted by the Sellers;

(iv) (x) contravene, conflict with, or result in a violation or breach of any provision of, (y) give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, impose on any of the Purchased Assets any material additional or greater burdens or obligations under or (z) create in any Person material additional or greater rights or benefits under, require any notice or Consent under, or give rise to any preferential purchase right, right of first refusal, right of first offer or similar right under, any Material Contract to which such Person is a party; or

(v) result in the imposition or creation of any Encumbrance (other than a Permitted Encumbrance) upon or with respect to any of the Purchased Assets.

(c) Except as set forth in Schedule 3.2(c) of the Disclosure Letter, no Seller will be required to give any notice to, or obtain any Consent from, any Person in connection with the execution and delivery of any Transaction Document or the consummation or performance of any of the Contemplated Transactions, including any such notice or Consent that might affect the continuing validity and effectiveness, immediately following the Closing, of any Transaction Documents, Material Contract or Scheduled Governmental Authorization, in each case as would cause the Buyer to be unable to conduct the Business, immediately following the Closing, in substantially the same manner as presently conducted by the Seller. All such notices have been given and all such Consents shall be obtained by the Closing Date and shall be evidenced on Exhibit C hereto, which shall become a part of this Agreement on the Closing Date.

3.3 Financial Statements; Intercompany Payables

(a) Schedule 3.3 of the Disclosure Letter sets forth with respect to the Sellers (y) audited, consolidated balance sheets and the related statements of income and cash flows as of and for each of the fiscal years ended December 31, 2011, 2010 and 2009, and (z) an unaudited, consolidated balance sheet and related statements of income and cash flows as of and for the twelve (12) month period ended December 31, 2012 (the "Latest Financials" and together with (y) collectively, the "Financial Statements"). The Financial Statements (including any related notes thereto) (i) are consistent with the accounting Records of the Sellers and have been prepared in

accordance with GAAP, consistently applied throughout the periods covered thereby, and (ii) present fairly, in all material respects, the financial condition and results of operations of the Sellers as at the respective dates of and for the periods referred to in the Financial Statements, subject, however, in the case of the Latest Financials, to normal non-material year-end audit adjustments and accruals and to the absence of notes and other textual disclosure required by GAAP.

(b) Except as set forth on Schedule 3.3(b) of the Disclosure Letter, the Sellers have caused all intercompany payables, receivables and Debt between the Sellers and any of their respective Related Persons to be paid such that there are no such intercompany payables, receivables or Debt in existence as of the Closing.

3.4 Books and Records

The Books and Records (a) are located at the premises of the Business to which such Books and Records primarily relate, (b) have been maintained substantially in accordance with applicable Legal Requirements and sound business practices and (c) comprise all of the books and records relating to the ownership and operation of the Business and the Purchased Assets. At the Closing all of the Books and Records will be delivered to the Buyer except for such Books and Records that constitute Excluded Assets.

3.5 Property

(a) Schedule 3.5(a) of the Disclosure Letter sets forth a true and complete list of street addresses of all real property and other interests in land owned by any Seller (beneficially or of record) and used in connection with the ownership and operation of the Business ("Owned Real Property").

(b) Schedule 3.5(b) of the Disclosure Letter lists all real property and other interests in land leased or subleased by any Seller and used in connection with the ownership and operation of the Business (the "Leased Real Property"), including, without limitation the Assumed Real Property. A Seller has a valid leasehold interest in all of the Leased Real Property, free and clear of all Encumbrances except Permitted Encumbrances. Schedule 3.5(b) of the Disclosure Letter contains a true and complete list of the leases and subleases covering the Leased Real Property, including, without limitation the Assumed Real Property Leases (the "Real Property Leases"). True and complete copies of the Assumed Real Property Leases (including all amendments thereto) have been delivered by the Sellers to the Buyer. With respect to the Leased Real Property and each Real Property Lease and except as otherwise specified in Schedule 3.5(b) of the Disclosure Letter:

(i) such Real Property Lease is in full force and effect in all respects and constitutes a binding obligation of the Seller that is party thereto and, to the Knowledge of the Seller, of each landlord, lessor or sublessor thereunder, and assuming the due authorization, execution and delivery of such Real Property Lease by such landlord, lessor or sublessor, is enforceable against the applicable Seller and, to the Knowledge of the Seller, such landlord, lessor or sublessor in accordance with its terms, subject to Creditors' Rights;

(ii) no event has occurred which, with or without the giving of notice or the passage of time or both, would constitute a default under such Real Property Lease by any Seller or to the Knowledge of the Seller, by any other party to such Real Property Lease; and

(iii) there are no unwritten or oral modifications to such Real Property Lease;

(iv) no Real Property Lease has been mortgaged, deeded in trust or subjected to an Encumbrance except Permitted Encumbrances, in each case by the Sellers;

(v) to the Knowledge of the Seller all buildings, plants, and structures on the Leased Real Property are wholly within the boundaries of such real property and do not encroach upon the property of, or otherwise conflict with the property rights of, any other Person;

(vi) Other than the Sellers, there are no parties in possession of any portion of any Leased Real Property as subtenants, tenants at sufferance or trespassers except for IES pursuant to those two certain sublease agreements between Energy Efficiency Solar, Inc. and IES Residential, Inc. dated October 31, 2011. The Sellers have full right and authority to use and operate all of the improvements located on the Leased Real Property, subject to applicable Legal Requirements, Permitted Encumbrances and the terms of the Real Property Leases. To the Knowledge of the Seller, such improvements are being used, occupied, and maintained in all material respects by the Seller in accordance with the Real Property Leases, all applicable insurance requirements, and Governmental Authorizations, and no Seller has received any written notice of any violation of the foregoing;

(vii) No casualty loss has occurred with respect to the improvements located on the Leased Real Property (the "Improvements") that has not been repaired or restructured. Except as set forth on Schedule 3.5(b)(viii) of the Disclosure Letter, to the Knowledge of the Seller, the Improvements are free from material structural and mechanical defects (including roofs) and have been used by the Seller in the Ordinary Course of Business. All of the Leased Real Property has direct access to public roads or access through the use of a perpetual easement.

(viii) There is no pending or, to the Knowledge of the Seller, threatened condemnation, eminent domain or similar Proceeding affecting any of the Leased Real Property, nor have the Sellers received written notification that any such Proceeding is contemplated.

(ix) All utilities (including water, sewer or septic, gas, electricity, trash removal and telephone service) are available to the Leased Real Property in sufficient quantities and quality to adequately serve the Leased Real Property in connection with the operation of the Business conducted thereon as such operations are presently conducted thereon.

(c) Schedule 3.5(c) of the Disclosure Letter sets forth a true and complete list of each item of machinery, equipment, tools, supplies, materials, furniture, fixtures, vehicles, other rolling stock and each other tangible personal property now owned, leased or licensed by each Seller in connection with the ownership or operation of the Business having a book value of $200 or more individually (the "Scheduled Personal Property"). As to each item of Scheduled Personal Property and each other item of tangible personal property to which any of the Sellers hold any right title or interest (collectively, the "Personal Property"), the Sellers have good and valid title to, or

holds by a valid, enforceable and existing lease or license with respect to such item of Scheduled Personal Property, free and clear of all Encumbrances except Permitted Encumbrances. Upon the consummation of the Contemplated Transactions, the Buyer will have good and valid title to each item of Personal Property owned by any Seller and a valid leasehold interest in each item of Personal Property leased or licensed by any Seller, in each case free and clear of all Encumbrances except Permitted Encumbrances.

(d) Except as set forth in Schedule 3.5(d) of the Disclosure Letter, no rights of any Seller under any leases or licenses for any item of Scheduled Personal Property have been assigned or otherwise transferred as security for any obligation of any Person. With respect to each such lease or license, except as otherwise specified in Schedule 3.5(d) of the Disclosure Letter, (i) no Seller is in material default under any such lease or license and no event has occurred which, with or without the passage of time, would constitute a material default on any Seller's obligations under such lease or license, (ii) to the Knowledge of the Seller, no other party to any such lease or license is in material default thereunder and (iii) no Seller has received a written notice of material default or potential material default with respect to such lease or license.

(e) The Sellers have maintained and shall continue to maintain in the Ordinary Course of Business the Improvements and the Scheduled Personal Property.

(f) To the Knowledge of the Seller, the Sellers have not deferred any material amount of maintenance of the Improvements or the Scheduled Personal Property in contemplation of the Contemplated Transactions or any other sale of the Business.

3.6 Condition and Sufficiency of Assets

At and immediately following the Closing, the Purchased Assets transferred to the Buyer pursuant to this Agreement (a) will constitute all of the assets necessary or required to carry on the Business in substantially the same manner as presently conducted by the Seller and as conducted by the Seller since December 31, 2012 and (b) constitute all of the assets of the Sellers, other than Excluded Assets, used in the Business presently and as conducted since December 31, 2012.

3.7 Accounts Receivable

Schedule 3.7 of the Disclosure Letter contains a complete and accurate list of all Accounts Receivable of the Sellers as of February 5, 2013 (the "Scheduled Accounts Receivable"), which list sets forth the number of days each Scheduled Account Receivable has been outstanding. The Sellers have good and valid title to the Scheduled Accounts Receivable free and clear of all Encumbrances except Permitted Encumbrances. All Scheduled Accounts Receivable represent genuine, valid and legally enforceable obligations of the account debtor (subject only to Creditors' Rights) arising from sales actually made or services actually performed in the Ordinary Course of Business and no contra account, set-off, defense, counterclaim, allowance or adjustment (other than discounts for prompt payment shown on the invoice) has been asserted or, to the Knowledge of the Seller, are threatened in writing by any of the account debtors of such Accounts Receivable. The Accounts Receivables are current and, to the Knowledge of the Seller, collectible net of any respective reserves shown on the Latest Financials. To the Knowledge of the Seller, none of the account debtors of the Scheduled Accounts Receivable is involved in a bankruptcy or insolvency proceeding or is generally unable to pay its debts as they become due except as disclosed in Schedule 3.7 of the Disclosure Letter. No

goods or services, the sale or provision of which gave rise to any Scheduled Accounts Receivable, have been returned or rejected by any account debtor or, to the Knowledge of the Seller, lost or damaged prior to receipt thereby. Except as set forth on Schedule 3.7 of the Disclosure Letter, since the date of the Latest Financials, the Sellers have not written off any Accounts Receivable as uncollectible.

3.8 Taxes

(a) Except as set forth on Schedule 3.8 of the Disclosure Letter, all material Tax Returns required to be filed by the Sellers have been duly and timely filed with the appropriate Governmental Body, (b) all Tax Items required to be included in each such Tax Return have been so included and all such Tax Items and any other information provided in each such Tax Return is true, correct and complete, (c) none of such Tax Returns are now under audit or examination by any Governmental Body and no audit or examination is pending, (d) all Taxes owed by the Seller or for which the Seller may otherwise be liable that are or have become due (taking account of extensions) have been timely paid in full, (e) there is no claim pending or threatened by any Governmental Body in connection with any such Tax, (f) there are no Contracts, waivers or other arrangements providing for an extension of time with respect to the filing of any such Tax Return or the assessment or collection of any such Tax, (g) all Tax withholding and deposit requirements imposed on or with respect to the Seller, any of the Purchased Assets or the Business have been satisfied in full in all respects, (h) there are no Encumbrances on any of the Purchased Assets or the Business that arose in connection with any failure (or alleged failure) to pay any Tax, (i) all of the Purchased Assets have been properly listed and described on the property tax rolls for all periods prior to and including the Closing Date and no portion of the Purchased Assets constitutes omitted property for property tax purposes, (j) to Sellers' Knowledge, there is no basis for the Buyer to be held liable as a successor or transferee, by statute, contract or otherwise, for any unpaid Taxes of Seller that are or have become due on or prior to the Closing Date, (k) no Contract that is a Purchased Asset requires any payments to be made in respect of any Tax allocation, sharing, indemnity or similar agreement or arrangement and (l) the Purchased Assets were acquired or held by the Sellers for use in the operation of a business.

3.9 Employee Benefits

(a) Schedule 3.9(a) of the Disclosure Letter contains a complete and accurate list of all Plans and Other Benefit Obligations (collectively, the "Benefit Arrangements"). Schedule 3.9(a) of the Disclosure Letter further identifies the entity sponsoring each such Seller Benefit Arrangement.

(b) The Sellers and their respective ERISA Affiliates do not sponsor, maintain or contribute to and have no obligation to contribute to, and have not at any time within six years prior to the date of this Agreement sponsored, maintained or contributed to or had an obligation to contribute to, and no Seller Benefit Arrangement is (A) a "multiple employer plan" within the meaning of IRC Section 413(c), (B) a "multiple employer welfare arrangement" within the meaning of ERISA Section 3(40)(A) or (C) a Plan subject to Title IV of ERISA, ERISA Section 302 or IRC Section 412 (including a multiemployer plan within the meaning of Section 3(37) of ERISA). No Seller Benefit Arrangement is funded through a trust that is intended to be exempt from the U.S. federal income taxation pursuant to IRC Section 501(c)(9).

(c) There does not now exist, nor do any circumstances exist that could result in, any "controlled group liability" of any Seller or any of their respective ERISA Affiliates that would be, or could reasonably be expected to become, a liability of the Buyer or any of its Related Persons or result in the imposition of an Encumbrance on any of their assets (including the Purchased Assets) as of or following the Effective Time. As used in the preceding sentence, the term "controlled group liability" means any and all liabilities (i) under Title IV of ERISA, (ii) under ERISA Sections 206(g), 302 or 303, (iii) under IRC Sections 412, 430, 431, 436 and 4971 or the excise Tax provisions of Chapter 43 of IRC, (iv) as a result of the failure to comply with the continuation of coverage requirements of ERISA Section 601 et seq. and IRC Section 4980B, under any other provision of the IRC or ERISA for which any Seller or any of its ERISA Affiliates might be liable with respect to the Seller Benefit Arrangements, and (v) under corresponding or similar provisions of any foreign Legal Requirement.

(d) Each Seller Benefit Arrangement has been operated in material compliance with all applicable Legal Requirements, including, without limitation, ERISA and the IRC, and there have been no defaults or violations with regard thereto. All contributions required to be made to the Seller Benefit Arrangements pursuant to their terms and the provisions of ERISA, the IRC, or any other applicable Legal Requirements have been timely made. Each Seller Benefit Arrangement that is intended to qualify under IRC Section 401(a) satisfies in form the requirements of such Section except to the extent amendments are not required by law to be made until a date after the Closing Date and has received a favorable determination or opinion letter from the IRS as to its qualified status, all amendments to such Seller Benefit Arrangement that are required by the IRS have been adopted on a timely basis, there has been no termination or partial termination of such Seller Benefit Arrangement within the meaning of Section 411(d)(3) of the IRC, each trust established in connection with any Seller Benefit Arrangement that is intended to be exempt from federal income taxation under IRC Section 501(a) is so exempt, and no fact or event has occurred that could adversely affect the qualified status of any such Seller Benefit Arrangement or the exempt status of any such trust.

(e) There has been no prohibited transaction (within the meaning of ERISA Section 406 or IRC Section 4975, other than a transaction that is exempt under a statutory or administrative exemption) by any of the Sellers or any of their respective ERISA Affiliates (or to the Knowledge of the Seller, any other Person) with respect to any Seller Benefit Arrangement.No Proceeding has been brought, or to the Knowledge of the Seller, is threatened, against or with respect to any Seller Benefit Arrangement, including any audit or inquiry by the IRS or United States Department of Labor or by any current or former employee (other than routine claims for benefits).

(f) Except as set forth on Schedule 3.9(g) of the Disclosure Letter, the execution and delivery of this Agreement and the consummation of the Contemplated Transactions will not, either alone or in combination with any other event (whether contingent or otherwise), (i) entitle any current or former employee or Person providing services to the Business to severance pay, retirement benefits or any other compensation or benefit, (ii) accelerate the time of payment or vesting of any award or benefit, or increase the amount of compensation due to any such current or former employee or Person providing services to the Business, or (iii) require the funding or payment of any compensation or benefit to any such current or former employee or Person providing services to the Business.

(g) The Sellers have the right to unilaterally modify and terminate each Plan in its entirety with respect to both retired and active employees without liability except as to benefits accrued prior to such modification or termination.

(h) Except to the extent required pursuant to IRC Section 4980B(f) and the corresponding provisions of ERISA, no Seller Benefit Arrangement provides retiree medical or retiree life insurance benefits to any Person and none of the Sellers or their respective Related Persons are contractually or otherwise obligated (whether or not in writing) to provide any Person with life insurance or medical benefits in connection with any retirement or termination of employment.

3.10 Compliance with Legal Requirements; Governmental Authorizations

(a) Except as set forth in Schedule 3.10(a) of the Disclosure Letter, at all times since December 31, 2012:

(i) the Sellers have operated the Purchased Assets and the Business in compliance with applicable Legal Requirements in all material respects;

(ii) To the Knowledge of the Seller, with respect to the Business, no event has occurred or circumstance exists (with or without notice or passage of time or both) that (y) would reasonably be expected to constitute or result in a material violation by any Seller of, or a failure on the part of any Seller to comply with, any Legal Requirement, or (z) would reasonably be expected to give rise to any obligation on the part of any Seller to undertake or perform, or to bear all or any portion of any material cost of, any remedial action or measure of any nature; and

(iii) no Seller has received any written notice or communication or, to the Knowledge of the Seller, any oral notice or communication from any Governmental Body or any other Person regarding (y) any actual, alleged or potential violation of, or failure to comply with, any applicable Legal Requirement in connection with the Business or the ownership or use of any of the Purchased Assets, or (z) any actual, alleged or potential obligation on the part of any Seller to undertake or perform, or to bear all or any portion of any material cost of, any remedial action or measure of any nature in connection with the Business or the ownership or use of any of the Purchased Assets.

(b) Schedule 3.10(b) of the Disclosure Letter contains a complete and accurate list of each material Governmental Authorization that is held by any Seller in connection with the Business or the ownership or use of any of the Purchased Assets (collectively, the "Scheduled Governmental Authorizations"). Each Governmental Authorization listed or required to be listed in Schedule 3.10(b) of the Disclosure Letter is valid and in full force and effect in all material respects. Except as set forth in Schedule 3.10(b) of the Disclosure Letter:

(i) To the Knowledge of the Seller, no event has occurred or circumstance exists that would reasonably be expected to (with or without notice or passage of time or both) (y) constitute or result directly or indirectly in a violation of or a failure to comply with any material term or requirement of any Scheduled Governmental Authorization, or (z) result directly or indirectly in the revocation, withdrawal, suspension, cancellation or termination of, or any modification to, any Scheduled Governmental Authorization;

(ii) No Seller has received any written notice or communication or, to the Knowledge of the Seller, any oral notice or communication from any Governmental Body or any other Person regarding (y) any actual, alleged or potential violation of or failure to comply with any term or requirement of any Scheduled Governmental Authorization, or (z) any actual, proposed or potential revocation, withdrawal, suspension, cancellation, termination of or modification to, any such Scheduled Governmental Authorization, which remains outstanding and either under protest, uncured or otherwise unresolved. All corrective action, consent decrees, agreed orders, settlement agreements, remediation, reclamation, fines, penalties, assessments, fees and similar charges imposed on or assessed against any Seller by any Governmental Body have been either fully resolved or paid in full, excepting only those requiring the actions listed in Schedule 3.10(b) of the Disclosure Letter and designated as still outstanding and unresolved. No Seller is subject to or under any cessation orders or cease and desist orders issued by any Governmental Body or any other Order compelling injunctive or similar relief; and

(iii) all applications required to have been filed for the timely renewal of the Governmental Authorizations listed or required to be listed in Schedule 3.10(b) of the Disclosure Letter have been duly filed on a timely basis with the appropriate Governmental Bodies, and all other filings, payments and declarations required to have been made with respect to such Governmental Authorizations have been duly made on a timely basis with the appropriate Governmental Bodies; and

(iv) The Governmental Authorizations listed in Schedule 3.10(b) of the Disclosure Letter to the best of Sellers' knowledge collectively constitute all of the material Governmental Authorizations necessary for the continued ownership, use and operation of the Business and the Purchased Assets consistent in all material respects with past practices of the Business since December 31, 2012.

(c) Notwithstanding the foregoing, no representation or warranty in Section 3.10(a) is made with respect to (i) any Environmental Law, Environmental Health and Safety Liabilities or other matters that are covered by Section 3.14, (ii) Taxes or other matters that are covered by Section 3.8, (iii) employees or other matters that are covered by Section 3.15 or (iv) labor relations or other matters that are covered by Section 3.16.

3.11 Legal Proceedings; Orders

(a) Except as set forth in Schedule 3.11(a) of the Disclosure Letter, there is no pending Proceeding (i) that has been commenced by or against any Seller that relates to or may otherwise affect the Business or the Purchased Assets; or (ii) that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, this Agreement or any of the Contemplated Transactions. To the Knowledge of the Seller, no such Proceeding has been threatened. The Seller has delivered to the Buyer copies of all material pleadings, correspondence, demands, notices and other documents relating to each Proceeding listed in Schedule 3.11(a) of the Disclosure Letter.

(b) There is no Order to which any Seller is a named party or to which any Seller is otherwise specifically subject that relates to or would reasonably be expected to otherwise affect the Business or to which any of the Purchased Assets is subject.

3.12 Absence of Certain Changes and Events

Except as set forth in Schedule 3.12 of the Disclosure Letter, since December 31, 2012, the Business has been conducted only in the Ordinary Course of Business and there has not been any:

(a) increase or change by any Seller of any actual, potential or future bonuses, salaries or other compensation to any stockholder, director, officer, Business Employee, manager, member or other equity owner or employee or contractor or entry into any employment, consulting, severance, change in control, retention, equity compensation or other Employment Contract with any stockholder, director, officer, Business Employee, manager, member or other equity owner or employee or consultant, except for increases or changes in salary, wages or compensation payable or to become payable upon promotion to an office having greater operational responsibilities or otherwise in the Ordinary Course of Business;

(b) adoption or establishment of, amendment to or increase in the payments to, or benefits under, or other amendment to any Seller Benefit Arrangement or any profit sharing, bonus, severance, retention, change in control, deferred compensation, savings, insurance, pension, retirement or other employee benefit plan for or with any Business Employees;

(c) damage to or destruction or loss of any of the Purchased Assets whether or not covered by insurance;

(d) merger or consolidation of any Seller with any other Person or any agreement with respect thereto;

(e) borrowing of funds, agreement to borrow funds, guaranty or agreement to maintain the financial position of any Person or other incurrence of Debt by any Seller;

(f) other than discounts or write-offs of accounts receivable in the Ordinary Course of Business, cancellation or waiver of any claims or rights with a value to any Seller that relate to or may otherwise affect the Business;

(g) expenditure of or commitment to expend any amounts on any capital expenditures or capital additions or betterments;

(h) change in the accounting methods or principles or Tax reporting principles used by any Seller;

(i) any material adverse effect on the operations, properties, prospects, assets, liabilities or condition of the Business taken as a whole or event or circumstance that would reasonably be expected to result in such a material adverse change;

(j) election or rescission of any election relating to Taxes or settlement or compromise of any claim relating to Taxes; or

(k) Contract (other than any Transaction Document), whether oral or written, by any Seller to do any of the foregoing.

3.13 Material Contracts; No Defaults

(a) Schedule 3.13(a) of the Disclosure Letter contains a complete and accurate list of, and the Seller has delivered to the Buyer true and complete copies (or in the case of oral Contracts, a written summary), of each of the following Contracts used in connection with the Business to which any Seller is a party or by which any of the Purchased Assets is otherwise bound (each such Contract, whether or not identified on Schedule 3.13(a) of the Disclosure Letter, a "Material Contract"):

(i) each Installation Contract;

(ii) each Assumed Real Property Lease;

(iii) each lease (including any master lease covering multiple items of personal property) of any item or items of Assumed Personal Property;

(iv) all Contracts with SalesForce.com, Inc. for web-based Customer Relationship Management (CRM) Software;

(v) each material licensing agreement or other Contract with respect to material patents, trademarks, copyrights or other material intellectual property to which any Seller is a party or otherwise affecting the ownership of the Intellectual Property Assets, including agreements with current or former Business Employees regarding the appropriation or the non-disclosure of any of the Intellectual Property Assets; and

(vi) each amendment, supplement and modification in respect of any of the foregoing.

(b) Other than as a result of the expiration or termination of any Material Contract in accordance with its terms, each Material Contract is in full force and effect and is the legal and valid obligation of the Seller party thereto, and is enforceable against such Seller in accordance with its terms, subject to Creditors' Rights, and, to the Knowledge of the Seller, is the legal and valid obligation of each counterparty thereto, and is enforceable against each such counterparty in accordance with its terms, subject to Creditors' Rights. Upon the consummation of the Contemplated Transactions, the Sellers shall transfer to the Buyer good and valid title to each Material Contract, free and clear of all Encumbrances except Permitted Encumbrances.

(c) Except as set forth in Schedule 3.13(c) of the Disclosure Letter:

(i) each Seller is in material compliance with all applicable terms and requirements of each Material Contract;

(ii) to the Knowledge of the Seller, each other Person that has or had any obligation or liability under any Material Contract is in material compliance with all applicable terms and requirements of such Contract;

(iii) no Seller has given to or received from any Person any written notice regarding any actual, alleged, possible, or potential violation or breach of, or default under, any Material Contract; and

(iv) no Seller has received any written notice that any counterparty to a Material Contract has sought to cancel, terminate or modify any Material Contract.

(d) There are no renegotiations of, or, to the Knowledge of the Seller, attempts to renegotiate, any amounts paid or payable to any Seller under any Material Contracts.

3.14 Environmental Matters

Except as set forth in Schedule 3.14 of the Disclosure Letter:

(a) The Business and the Real Property are, and at all times while under the Control of the Sellers have been, in compliance with, and have not been and are not in material violation of or liable under, any Environmental Law. No Seller has received any written Order, demand or notice, or, to the Knowledge of the Seller, any oral order, demand or notice, from (i) any Governmental Body or private citizen acting in the public interest, or (ii) the current or prior owner or operator of the Real Property or the Business or properties adjoining the Real Property concerning any actual or potential violation or failure to comply with any Environmental Law, or concerning any actual or threatened obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities.

(b) There are no pending, or to the Knowledge of the Seller, threatened, Claims or Encumbrances, resulting from any Environmental, Health, and Safety Liabilities or arising under or pursuant to any Environmental Law, with respect to or affecting the Business, or Real Property.

(c) No Seller has received any written citation, directive, inquiry, notice, Order, demand, summons or warning that relates to Hazardous Activity, Hazardous Materials or any alleged, actual or potential violation or failure to comply with any Environmental Law, or of any alleged, actual or potential obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities.

(d) No Seller has any Environmental, Health, and Safety Liabilities with respect to or affecting the Business or the Real Property.

(e) There are no Hazardous Materials present on or in the Environment at the Leased Real Property or, to the Knowledge of the Seller, at any adjoining property, including any Hazardous Materials contained in barrels, above or underground storage tanks, landfills, land deposits, dumps, equipment or other containers, either temporary or permanent, or deposited or located in land, water, sumps or any other part of the Leased Real Property or, to the Knowledge of the Seller, such adjoining property, or incorporated into any structure therein or thereon, which could reasonably be expected to result in any Environmental, Health and Safety Liabilities. No Seller nor, to the Knowledge of the Seller, any other Person for whose conduct any Seller is or may be held responsible, has permitted or conducted, or is aware of, any Hazardous Activity conducted with respect to the Business or the Real Property which could reasonably be expected to result in any Environmental, Health and Safety Liabilities.

(f) There has been no Release of any Hazardous Materials at or from the Real Property while under the Control of the Sellers, or, to the Knowledge of the Seller, at any other locations where any Hazardous Materials were generated, manufactured, refined, transferred, produced, imported, used or processed from or by the Business in violation of Environmental Law or in a manner that could result in any Environmental Health and Safety Liabilities.

(g) To the Knowledge of the Seller, there is no asbestos contained in or forming part of any of the Purchased Assets.

(h) No Real Property is on the federal or any state analog National Priorities List or Comprehensive Environmental Response, Compensation and Liability Information System list, and to the Knowledge of the Seller, no site that has received wastes from the Business is on the federal, or any state analog to the, U.S. National Priorities List or Comprehensive Environmental Response, Compensation and Liability Information System list.

(i) The Seller has delivered to the Buyer true and complete copies and results of any reports, studies, analyses, tests or monitoring prepared or conducted since January 1, 2013, possessed or initiated by any Seller or otherwise in any Seller's possession pertaining to Hazardous Materials or Hazardous Activities in, on or under the Real Property, or concerning compliance by the Business, any Seller, or any other Person for whose conduct any Seller is or may be held responsible, with Environmental Laws.

3.15 Employees

(a) Schedule 3.15(a) of the Disclosure Letter contains a complete and accurate list of the following information for each employee, officer and director of any Seller (such employees, officers and directors collectively, the "Business Employees" and each individually a "Business Employee"), including each employee on leave of absence or layoff status: (i) employer, name, job title, original hire date and classification as exempt or non-exempt under the federal Fair Labor Standards Act; (ii) current annualized salary (or rate of pay) and other compensation (including bonus, profit-sharing, pension benefits and other compensation) paid in 2012 and paid or payable through 2013; (iii) accrued but unused vacation, sick leave or other paid time off accrued; and (iv) service credited for purposes of vesting and eligibility to participate under any Seller Benefit Arrangement. Except as set forth on Schedule 3.15(a) of the Disclosure Letter, there are no Employment Contracts with any Business Employees and true and correct copies of any such Employment Contracts have been delivered by the Seller to the Buyer. Schedule 3.15(a) of the Disclosure Letter also contains a complete and accurate list of the following for each individual who provides services to any Seller in the capacity as a consultant or independent contractor: name, description of services provided, employing entity, terms of compensation, all compensation paid in 2012 and paid or payable in 2013, and details of any Contract applicable to the consulting or contracting relationship. For the avoidance of doubt, the Seller acknowledges and agrees that all compensation and benefits relating to the period prior to the Closing or related to any period with respect to any Business Employees not hired by Buyer are obligations of the Sellers and are not assumed by the Buyer.

(b) Sellers hereby confirm their termination, waiver and release of each Business Employee, consultant or independent contractor from any confidentiality, noncompetition or proprietary rights restriction, policy or Contract between any Seller and such Business Employee,

consultant or independent contractor or from any other term or provision that in any way adversely affects or would reasonably be expected to adversely affect (i) the performance of his, her or its duties as a Business Employee, consultant or independent contractor if engaged or hired by the Buyer, or (ii) the ability of the Sellers to carry on the Business or to permit the Buyer, after the Closing, to carry on the Business in substantially the same manner as presently conducted by the Sellers and as previously conducted by the Sellers. To the Knowledge of the Seller, no Business Employee, consultant or independent contractor is a party to, or is otherwise bound by, any Contract, including any confidentiality, noncompetition or proprietary rights agreement, between such Business Employee, consultant or independent contractor and any other Person that in any way adversely affects or would reasonably be expected to adversely affect (i) the performance of his or her duties as a Business Employee, or (ii) the ability of the Sellers to carry on the Business or to permit the Buyer, after the Closing, to carry on the Business in substantially the same manner as presently conducted by the Sellers and as conducted by the Sellers since December 31, 2012. To the Knowledge of the Seller, no Business Employee intends to terminate his or her employment or, if offered employment on substantially the same terms by the Buyer or a Related Person of the Buyer at the Closing, to not accept or terminate such employment.

(c) Except as set forth in Schedule 3.15(c) of the Disclosure Letter, there are no Claims or Proceedings that have been asserted or, to the Knowledge of the Seller, threatened against any Seller that relate to any Business Employee or previous employee or consultant or applicant for employment or any Seller's labor or employment practices, including those for: (i) wages, salaries, commissions, bonuses, vacation pay, severance or termination pay, sick pay or other compensation; (ii) employee benefits; (iii) alleged unlawful, unfair, wrongful or discriminatory employment or labor practices; (iv) alleged breach of Contract or other claim arising under a collective bargaining agreement, other labor contract or individual Contract, or any other employment covenant whether express or implied; (v) alleged violation of any Legal Requirement relating to meal or rest breaks, employee classification, overtime pay, minimum wages or maximum hours of work; (vi) alleged violation of occupational safety and health standards; or (vii) alleged violation of plant closing and mass layoff, immigration, recordkeeping, workers' compensation, disability, employee leave, unemployment compensation, whistleblower laws or other labor or employment laws; and no Seller has committed any act or omission that could give rise to any such Claim or Proceeding.

(d) Unless specifically listed on Schedule 3.15(d) of the Disclosure Letter, each Seller is presently, and has in the past always been, in material compliance with all applicable Legal Requirements regarding labor and employment practices and policies, including those regarding: (i) wages, salaries, commissions, overtime pay, bonuses, vacation pay, severance or termination pay, sick pay or other compensation; (ii) employee benefits; (iii) unlawful, unfair, wrongful or discriminatory employment or labor practices; (iv) breach of contract or other claim arising under a collective bargaining agreement, other labor Contract or individual Contract, or any other employment covenant whether express or implied; (v) meal and rest breaks, employee classification, minimum wages or maximum hours of work; (vi) occupational safety and health standards; (vii) plant closing and mass layoff, immigration, recordkeeping, workers' compensation, disability, unemployment compensation, and whistleblowing; and (viii) employee leave requirements.

(e) There have not been any plant closings, mass layoffs, or other terminations of employees of the Sellers at any time prior to the Closing Date which would create any obligations upon or liabilities for any Seller under the WARN Act.

(f) All Business Employees are lawfully authorized to work in the United States for the applicable Seller in accordance with applicable immigration laws. The Sellers have taken all steps required by applicable Legal Requirements to ensure that independent contractors and employees of independent contractors, as applicable, who provide services to it, are properly classified and lawfully permitted to work in the United States. The Sellers are in compliance in all material respects with all Legal Requirements relating to the documentation and record keeping of their employees' work authorization status.

(g) Other than as listed on Schedule 3.15(g) of the Disclosure Letter, no Seller is subject to any Order, settlement agreement, conciliation agreement, letter of commitment, deficiency letter or consent decree with any Business Employee or former employee or applicant for employment, labor union or other collective bargaining representative, or any Governmental Body or arbitrator relating to claims of unfair labor practices, employment discrimination or other claims with respect to labor and employment practices and policies, and no Governmental Body or arbitrator has issued an Order with respect to the labor and employment practices or policies of any Seller which have any present material effect (or could have any future material effect) on any Seller or the labor and employment practices and policies of any Seller.

3.16 Labor Relations; Compliance

(a) Except as set forth on Schedule 3.16 of the Disclosure Letter, no Seller has been, or is, a party or subject to any collective bargaining, labor or other similar Contract applicable to any group of Business Employees or former employees. To the Knowledge of the Seller, no representation or certification petition by any labor union seeking to represent any Business Employee is pending or threatened. During the five-year period prior to the date of this Agreement, to the Knowledge of Seller, there has not been, there is not presently pending or existing, and, there is not threatened, (i) any strike, slowdown, picketing, work stoppage or employee grievance process, (ii) any Proceeding against any Seller relating to the alleged violation of any Legal Requirement pertaining to labor relations, including any grievance or any charge or complaint filed by an employee or union with the National Labor Relations Board or any comparable Governmental Body or other labor or employment dispute against or affecting any Seller or their respective premises, or (iii) any application for certification of a collective bargaining agent as representative of any employee of any Seller. There is no lockout of any employees by any Seller, and no such action is contemplated by or at any such entity.

(b) Each Seller is in compliance in all material respects with all Workers' Compensation Laws.

3.17 Intellectual Property

(a) Set forth in Schedule 3.17 of the Disclosure Letter is a list of all material domestic and foreign patents, patent rights, patent applications, trademarks, trademark applications, service marks, service mark applications, trade names, domain names and copyrights, software, models, customer relations management programs and improvements thereto and all applications

for such which are in the process of being prepared, owned or licensed by or registered in the name of any Seller. Each Seller owns or possesses sufficient licenses or other valid rights to use all patents, patent applications, trademarks, trademark applications, service marks, service mark applications, trade names, domain names, copyrights, websites, manufacturing processes, sales call center processes, scripts, customer relations management databases and all data, software, formulae, trade secrets, customer lists and know how, and all improvements thereto (collectively, the "Intellectual Property Assets"), necessary to carry on the Business in substantially the same manner as presently conducted by the Sellers and as previously conducted by the Sellers, and has the authority to transfer such Intellectual Property Assets to Buyer free and clear of any Encumbrances other than Permitted Encumbrances, and no Claim is pending or, to the Knowledge of the Seller, threatened to the effect that the operations of any Seller infringe upon, misappropriate or conflict with the rights of any other Person. No Claim is pending or, to the Knowledge of the Seller, threatened to the effect that any such Intellectual Property Assets owned or licensed by any Seller, or which any such Seller otherwise has the right to use, is invalid or unenforceable by such entity.

(b) The Sellers have taken reasonable measures to protect the confidentiality of the trade secrets and confidential information of the Sellers with respect to the Business.

3.18 Customers and Suppliers

Schedule 3.18 of the Disclosure Letter contains a list of the customers of the Business for each of the last three fiscal years and a list of the suppliers of the Business for each of the last three fiscal years. Since December 31, 2012, there has not been (i) any material adverse change to the Business in its relationship with any of the customers or suppliers listed on Schedule 3.18 of the Disclosure Letter for the last fiscal year, or (ii) any material adverse change to the Business in any term (including credit terms) of the agreements or other arrangements with any such customers or suppliers, in each case other than in the Ordinary Course of Business. Since December 31, 2012, no Seller has received any customer complaints concerning its services, other than complaints in the Ordinary Course of Business which have not had, and would not reasonably be expected to have, individually or in the aggregate, an adverse effect the on the Business' relationship with any customer listed on Schedule 3.18 of the Disclosure Letter. To the Knowledge of the Seller, none of the customers or suppliers listed on Schedule 3.18 of the Disclosure Letter has a current intention to suspend deliveries or to cancel, terminate or otherwise materially and adversely modify their relationship with the Business upon the consummation of the Contemplated Transactions.

3.19 Solvency

None of the Sellers is the subject of any pending, rendered or, to the Knowledge of the Seller, threatened insolvency Proceedings of any character. No Seller has made an assignment for the benefit of creditors that could constitute a valid basis for the institution of any such insolvency Proceedings.

3.20 Forecasts

All forecasts, projections, models, budgets or estimates heretofore delivered or caused to be delivered to the Buyer by the Seller or any of its Related Persons or their respective Representatives and the forecasts and projections set forth in the model attached as Schedule 3.20 of the Disclosure Letter, have been prepared and reviewed in good faith, and without any intention to mislead the Buyer.

3.21 Relationships With Related Persons

Except as set forth on Schedule 3.21 of the Disclosure Letter, no director, manager, member, stockholder or other equity owner, officer, or, to the Knowledge of the Seller, Related Person of any Seller since December 31, 2012, has owned (of record or as a beneficial owner) a material equity interest or any other material financial or profit interest in, a Person that has (i) had business dealings or a material financial interest in any transaction with any Seller, or (ii) engaged in competition with any Seller with respect to the Business in any market presently served by the Business. Except as set forth in Schedule 3.21 of the Disclosure Letter, no director, manager, member, stockholder or other equity owner, officer, or, to the Knowledge of the Seller, Related Person of any Seller is a party to any Contract with, or has any claim or right against, any such Seller.

3.22 Brokers or Finders

None of the Sellers or any of their respective agents or, to the Knowledge of the Seller, any of their respective Related Persons has incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with the Contemplated Transactions for which the Buyer, its agents or any of its Related Persons could become liable or obligated.

3.23 No Other Subsidiaries

Other than Lonestar Renewable Technologies Corp., which is the direct or indirect parent of Lonestar and EES, Acro Energy Technologies, LLC, which is a wholly-owned subsidiary of Lonestar, and Acro Energy Technologies, Inc. f/k/a Acro Electric, Inc.), which is an affiliate of Lonestar and EES, the Sellers do not own, directly or indirectly, any equity or long-term debt securities of any Person.

3.24 Warranties

Schedule 3.24 of the Disclosure Letter identifies any warranty claim asserted during the one year period prior to the date of this Agreement from which any Seller has incurred costs in excess of $1,000.00. All Claims, whether in contract or tort, for defective or allegedly defective products, services or workmanship pending or, to the Knowledge of the Seller, threatened, against any Seller are listed or described on Schedule 3.24 of the Disclosure Letter.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Sellers as of the Closing Date as follows. The Buyer acknowledges that the Sellers are relying on the following representations and warranties in entering into this Agreement.

4.1 Organization and Good Standing

The Buyer is duly formed, validly existing and in good standing under the laws of is jurisdiction of formation. The Buyer has delivered to the Sellers copies of the Organizational Documents of Buyer as in effect on the date of this Agreement.

4.2 Authority; No Conflict

(a) This Agreement has been, and each other Transaction Document to which the Buyer is, or will be, a party, is, or will be, when executed and delivered by the Buyer, duly and validly executed and delivered by the Buyer and this Agreement is, and each other Transaction Document to which the Buyer is, or will be a party, is, or will be, when executed and delivered by the Buyer, the valid and binding obligation of the Buyer and assuming the due authorization, execution and delivery thereof by the other parties hereto and thereto, enforceable against the Buyer in accordance with its terms, subject to Creditors' Rights. The execution and delivery of each Transaction Document by the Buyer and the consummation of the Contemplated Transactions has been duly and validly approved by all corporate action by the Buyer or its equityholders.

(b) Neither the execution and delivery of any Transaction Document by the Buyer nor the consummation or performance of any of the Contemplated Transactions by the Buyer, will directly or indirectly (with or without notice or passage of time or both):

(i) contravene, conflict with, or result in a violation of: (x) any provision of any of the Organizational Documents of the Buyer, or (y) any resolution adopted by the board of directors or shareholders (as the case may be) of the Buyer;

(ii) contravene, conflict with, or result in a violation of any Legal Requirement, in any material respect, or any Order to which the Buyer is subject; or

(iii) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Contract to which the Buyer or any Related Person of the Buyer is a party, except as would not reasonably be expected to prevent or materially delay the consummation of the Contemplated Transactions or to materially impair the Buyer's ability to perform its obligations under the Transaction Documents to which it is a party.

(c) Neither the Buyer nor any Related Person of the Buyer will be required to obtain any Consent from any Person in connection with the execution and delivery of any Transaction Document to which it is a party or the consummation or performance of any of the Contemplated Transactions, except as would not reasonably be expected to prevent or materially delay the consummation of the Contemplated Transactions or to materially impair the Buyer's ability to perform its obligations under the Transaction Documents to which it is a party.

4.3 Certain Proceedings

There is no pending Proceeding that has been commenced against the Buyer that challenges, or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions. To the Knowledge of the Buyer, no such Proceeding has been threatened.

4.4 Brokers or Finders

Neither the Buyer nor any of its agents or Related Persons have incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement or the Related Agreements for which the Sellers, their respective agents or any of their respective Related Persons could become liable or obligated.

ARTICLE V
COVENANTS OF THE SELLERS

5.1 Noncompete; Nonsolicitation; Nondisparagement

In order to induce the Buyer to enter into the Contemplated Transactions and in order to protect the Buyer's legitimate business interests, including the value of the goodwill that the Sellers are transferring hereunder and that the Non-Compete Subject Parties are causing to be transferred hereunder, each of the Sellers and the following individuals: Harry Fleming, Douglas Samuelson, Brad Kovnat, Eric Williams and Kuang Jui "Andy" Chen (collectively, the "Non-Compete Subject Parties") severally and not jointly, has agreed to the provisions of this Section 5.1, as follows:

(a) For a period of three (3) years after the Closing Date, such Non-Compete Subject Parties agree that he, she or it will not, and will cause each of his, her or its Controlled Related Persons, not to, directly or indirectly, own, manage, be employed by or affiliated with, operate or control or participate in the ownership, management, operation or control of any Person that carries on or engages in the Business, including, by (i) developing, installing and/or selling solar systems or similar services or systems, or (ii) soliciting, or causing to be solicited, any Person who is or was a customer of the Business for the purpose of carrying on or engaging in the Business within the states of California, Hawaii or Arizona (the "Restricted Area"). Notwithstanding anything in the foregoing to the contrary, nothing in this Agreement shall be deemed to prohibit any Non-Compete Subject Party or any of their Controlled Related Persons from (i) performing any services for Buyer or any of its Related Persons (ii) owning any interest in Buyer or any of its Related Persons or (iii) directly or indirectly owning or acquiring, solely as a passive investment, securities of any entity traded on a national securities exchange ("Public Entity") if such Person is not a controlling person of or a member of a group which controls such Public Entity and does not, directly or indirectly, own beneficially or of record more than three percent of any class of securities of such Public Entity.

(b) For a period of three (3) years after the Closing Date, each such Non-Compete Subject Party agrees that he, she or it will not, and will cause each of his, her or its Controlled Related Persons (including any spouses or children of such Non-Compete Subject Person) not to, directly or indirectly, (i) entice, induce or attempt to cause any director, officer, employee or consultant, other than such Non-Compete Subject Party, to terminate his or her employment or relationship with Buyer or any of its Related Persons, or (ii) on behalf of any Person that carries on or engages in the Business, hire or employ, or solicit or contact with a view to the hiring or employment of, any such director, officer, employee or consultant.

(c) Such Non-Compete Subject Party agrees that at any time, he, she or it will not, and will cause each of his, her or its respective Controlled Related Persons, not to, knowingly disparage the Buyer or any director, stockholder, equity holder, officer, employee, consultant or agent of the Buyer or any of their respective Related Persons.

(d) For a period of three (3) years after the Closing Date, such Non-Compete Subject Party shall maintain the confidentiality of, and not use, other than on behalf of the Buyer or his, her or its Related Persons, (i) confidential or proprietary information regarding the Business or the Purchased Assets or (ii) trade secrets regarding the Business or the Purchased Assets; *provided* that this Section 5.1(d) shall not apply to information: (A) that becomes available to such party after the Closing Date from a source other than the Buyer or any of its Representatives (and not as a result of a violation of a contractual restriction or fiduciary duty known to such Person); or (B) that was or becomes generally available to the public (and not as a result of a violation of a contractual restriction or fiduciary duty known to such Person). Notwithstanding the preceding sentence, such Non-Compete Subject Party may, and may permit, disclosure of such information (x) in response to any judicial or administrative proceedings (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigation demand or similar process); (y) if required by a Governmental Body; or (z) to avoid violating any applicable Legal Requirement; *provided* that such Non-Compete Subject Party will, to the extent practicable, promptly notify the Buyer thereof and cooperate with the Buyer at the Buyer's reasonable request and cost if the Buyer should seek to obtain an Order that confidential treatment will be accorded to such information.

(e) Such Non-Compete Subject Party acknowledges and agrees that the restrictions set forth in this Section 5.1 are necessary to protect the legitimate business interests of the Buyer, including preservation of the goodwill that such Non-Compete Subject Party is conveying under this Agreement. Such Non-Compete Subject Party further acknowledges that all of the restrictions in this Section 5.1 are reasonable in all respects, including duration, geographical limitation and scope of activity restricted and no greater than necessary to protect the Buyer's legitimate business interests. In the event that it is judicially determined that the restrictions set forth in Sections 5.1(a), (b) or (c) are overly broad, such restrictions will be reformed to the extent necessary to make such restrictions reasonable. Such Non-Compete Subject Party agrees that the existence of any claim or cause of action by such Non-Compete Subject Party against the Buyer or any other entity, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement of the covenants and restrictions contained in this Section 5.1. In the event of a breach by such Non-Compete Subject Party of this Section 5.1, the term of this covenant will be extended by the period of the duration of such breach.

(f) Such Non-Compete Subject Party expressly agrees and acknowledges that, in the event of a breach of any of the provisions of this Section 5.1, the Buyer shall be entitled to obtain immediate injunctive relief, as any such breach would cause the Buyer irreparable injury for which it would have no adequate remedy at law. Nothing in this Agreement shall be construed so as to prohibit the Buyer from pursuing or realizing any other remedies available to it under this Agreement, at law or in equity for any such breach or threatened breach.

5.2 Tax Matters

(a) Property Tax Apportionment. All ad valorem taxes, personal property taxes and similar obligations ("Property Taxes") attributable to the Purchased Assets with respect to a tax period in which the Closing Date occurs shall be apportioned as of the Closing Date between the Sellers and the Buyer determined by prorating such Property Taxes on a daily basis over the entire tax period (for purposes of Property Taxes, the term "tax period" means the period beginning on the assessment date for Property Taxes through the day before the next assessment date for such Property Taxes).

(b) Property Tax Payment. Upon determination of the actual amount of Property Taxes, amount equal to the Seller's share of the Property Taxes shall be applied toward reduction of the Cap.

(c) Sales and Transfer Taxes. Any sales, purchase, transfer, stamp, documentary, registration, use or similar Taxes ("Transfer Taxes") due with respect to the sale of the Purchased Assets and consummation of the other Contemplated Transactions shall be paid by the Party owing such amount. The Parties agree to cooperate fully with each other to minimize any liability for any such Transfer Taxes to the extent legally permissible. Each Party shall provide and make available to any other Party any resale certificates and other exemption certificates or information reasonably requested by any other party. The Sellers agree to assist the Buyer in establishing the applicability of the occasional sale exemption or other exemption from any sales and use tax applicable to the sale of the Purchased Assets.

(d) Tax Cooperation. The Parties shall cooperate fully, as and to the extent reasonably requested by any other Party, in connection with the filing of Tax Returns and any audit, litigation, or other Proceeding with respect to Taxes relating to the Purchased Assets. Such cooperation shall include the retention and (upon another Party's request) the provision of records and information that are relevant to any such Tax Return or audit, litigation or other Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided under this Agreement. The Sellers and the Buyer agree to retain all books and records with respect to Tax matters pertinent to the Purchased Assets relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations of the respective taxable periods and to abide by all record retention agreements entered into with any Governmental Body.

5.3 Use of Name

The Sellers hereby agree that from and after the Closing Date, none of the Sellers will directly or indirectly use or otherwise exploit in connection with any business activities (other than on behalf of the Buyer or its Related Persons) any service marks, trademarks, trade names, identifying symbols, logos, emblems, signs or insignia related thereto or containing or comprising the foregoing that is used in the Business or is confusingly similar to any name or mark used in the Business, including the names "Acro" and "Acro Energy" or any related name or mark.

5.4 Forwarding Services

From and after the Closing Date, the Sellers shall forward all telephone calls, facsimiles, e-mail, mail and other requests, inquiries or information relating to the Purchased Assets to the forwarding telephone number, facsimile number, e-mail address or mailing address, as appropriate, delivered by the Buyer to the Sellers or in accordance with Section 8.3 if no alternative instructions have been provided.

5.5 Books and Records

The Sellers acknowledge and agree that from and after the Closing the Buyer will maintain the originals of all Books and Records, other than such Records constituting Excluded Assets. The Sellers will promptly deliver to the Buyer such original Books and Records (other than such Records constituting Excluded Assets) and will cooperate in all reasonable respects with the Buyer, at Buyer's expense, in the preparation and/or audit or re-audit or reexamination of historical financial statements for the Business for such periods as may be reasonably requested by the Buyer. The Buyer shall cooperate in all reasonable respects with any Seller Party and will make available to such Seller Party, during normal business hours, the Books and Records which relate to the period preceding the Closing Date and which are necessary or useful in connection with any tax inquiry, audit or similar investigation, any dispute or litigation or any other legitimate business purpose of such Seller Party; *provided* that, prior to receiving access to any of the Books and Records, such Seller Party shall enter into a customary confidentiality agreement binding on it and any other Person to whom the information may be disclosed. Notwithstanding the foregoing, and subject to Section 7.10, the Buyer shall be entitled to destroy Books and Records in accordance with a customary document retention policy beginning on the sixth anniversary of the date hereof.

5.6 Employee Matters

(a) Hiring Process. Prior to the Closing Date, the Buyer, or one of the Buyer's Related Persons, may make offers of employment to any or all of the Business Employees, or engage as a contractor any Business Employee or consultant of the Seller, on terms and conditions determined by the Buyer in its sole and absolute discretion except as otherwise provided in this Section 5.6. Each such employment offer ("Employment Offer") or engagement offer shall be subject to and conditioned upon the occurrence of the Closing and effective as of the Business Employee's Hire Date or contractor's commencement date. Those Business Employees who accept an Employment Offer, pass the Buyer's or its Related Person's applicable pre-employment screening processes, and are employed by a Seller on the Closing Date shall become employed by the Buyer or the Buyer's Related Person, as applicable, immediately after the Closing; *provided*, *however*, that with respect to any Business Employee to whom the Buyer or one of the Buyer's Related Persons has made an Employment Offer pursuant to this Section 5.6 but who is on any approved leave of absence on the Closing Date (other than vacation), such Business Employee shall become employed by the Buyer or the Buyer's Related Person, as applicable, effective as of the date such Business Employee is available to begin active employment with the Buyer or the Buyer's Related Person, as applicable (but, in all events, not later than 90 days following the Closing Date). The date of a Business Employee's commencement of employment with the Buyer or the Buyer's Related Person is referred to herein as his or her "Hire Date". The Sellers shall assist the Buyer or its Related Person in communicating with the Business Employees or the Sellers' contractors regarding potential employment or engagement with the Buyer or one of its Related Persons. The Sellers shall not interfere with any such Employment Offers, engagement offers or negotiations by the Buyer or its Related Person to employ or engage any Business Employee or contractor or discourage any Business Employee or contractor from accepting employment or engagement with the Buyer or any of its Related Persons.

(b) Prior Service Credit. With respect to each employee benefit plan or policy, including severance, vacation and paid-time-off plans, policies and practices, sponsored or maintained by the Buyer or a Related Person of the Buyer, the Buyer or a Related Person of the Buyer shall grant, or cause to be granted to, each Business Employee who has accepted employment with the Buyer or one of its Related Persons (each a "Continued Employee"), from and after the Continued Employee's Hire Date, credit for all service with the Sellers and respective Related Persons prior to the Continued Employee's Hire Date using the same methodology used by such entities for employee benefit plan purposes, including eligibility to participate, vesting credit, eligibility to commence benefits, vacation days, sick days and severance but not including benefit accruals under any defined benefit pension plans of the Sellers or any of their respective Related Persons; *provided*, however, that if the Sellers maintain a comparable benefit plan, service shall be credited solely to the extent that such service was or would have been credited for such purposes under such comparable plan (*provided* that the Sellers supply the Buyer with such information and represent its truth and accuracy).

(c) Cooperation with Respect to Continued Employees. With respect to each Continued Employee and effective as of the time immediately prior to the Continued Employee's Hire Date, the Sellers shall (i) terminate the employment of such Continued Employee and (ii) waive and release any confidentiality, non-competition, non-disclosure and similar agreements between a Seller Party and such Continued Employee that would restrict or encumber such Continued Employee's ability to perform his or duties as an employee of the Buyer or one of its Related Persons (except for any nondisclosure obligations relating to proprietary non-public information that is not related to the Business).

(d) Welfare Benefit Plan Coverage Liability. Claims of each Continued Employee and his or her eligible beneficiaries and dependents for welfare benefits (other than disability benefits and workers' compensation that are incurred (i) prior to the Closing Date shall be the sole responsibility of the Sellers and (ii) from and after each Continued Employee's respective Hire Dates shall be the sole responsibility of the Buyer or one of the Buyer's Related Persons. For purposes of this paragraph, a medical/dental claim shall be considered incurred on the date when the medical/dental services are rendered or medical/dental supplies are provided, and not when the condition arose or when the course of treatment began. The Sellers shall be liable for claims for short-term disability benefits and workers' compensation benefits by Continued Employees under such welfare benefit plans with respect to payments otherwise due prior to the Closing Date. For the avoidance of doubt, the Buyer is not assuming responsibility and shall have no obligation under any Benefit Arrangements.

(e) Employee Records. Except as prohibited by applicable Legal Requirements, the Sellers shall provide to the Buyer or a Related Person of the Buyer copies of the personnel files of Continued Employees and such spreadsheets and other data as may be necessary or appropriate to establish payroll records and benefit enrollment records for such Continued Employees.

(f) No Duplication of Benefits. Nothing in this Agreement shall cause duplicate benefits to be paid or provided to or with respect to a Continued Employee under any employee benefit policies, plans, arrangements, programs, practices, or agreements. References herein to a benefit with respect to a Continued Employee shall include, where applicable, benefits with respect to any eligible dependents and beneficiaries of such Continued Employee under the same employee benefit policy, plan, arrangement, program, practice or agreement.

(g) Accrued and Unused Vacation. Vacation entitlement accrued but not utilized by a Continued Employee for the year in which the Closing Date occurs under the vacation policy applicable to such Continued Employee immediately prior to the Closing Date, to the extent reflected as a current liability on the Latest Financials, shall be recognized by the Buyer or one of the Buyer's Related Persons following the Closing Date; *provided*, however, that the terms of the Buyer's or the Buyer's Related Person's vacation policy shall govern the utilization of vacation time after the Closing Date.

(h) Flexible Spending Accounts. As soon as administratively practicable following the Closing Date, the Sellers shall take, or cause to be taken, such action as is necessary to transfer the flexible spending account election and related account balance of each Continued Employee from the Sellers' Flexible Benefit Plan (inclusive of its constituent plans) ("Seller's FSA") to the Flexible Benefit Plan established or maintained by the Buyer or a Related Person of the Buyer ("Buyer's FSA"). The aggregate account balances of the Continued Employees who are participants in Seller's FSA as of the Closing Date shall be expressly accrued for as a current liability on the most recent financial statements of the Sellers. From and after the date of such transfer, the Buyer or a Related Person of the Buyer shall cause Buyer's FSA to assume the obligations of Seller's FSA with respect to the elected flexible spending benefits of the Continued Employees under Seller's FSA, and Seller's FSA shall cease to be responsible therefor. The Buyer, the Related Persons of the Buyer and the Sellers shall cooperate in making all appropriate arrangements in connection with the transfer described in this Section 5.6(h).

(i) No Third Party Beneficiaries. The Parties acknowledge and agree that all provisions contained in this Section 5.6 with respect to employees and employee benefits are included for the sole benefit of the respective Parties and shall not create any right (a) in any other Person, including any current or former Business Employees, any participant in any Benefit Arrangement or any beneficiary thereof or (b) to continued employment with the Buyer or any of the Buyer's Related Persons. Nothing contained in any Transaction Document shall (i) be construed to establish, amend, modify or continue any benefit or compensation plan, program, agreement or arrangement of any Party or (ii) constitute a limitation on or restriction against the right of any Party to amend, modify or terminate any such plan, policy or arrangement or the terms or conditions of employment of any Continued Employees after the consummation of the Contemplated Transactions.

(j) Cooperation with Respect to Continuation of Real Property Leases. With respect to each Real Property Lease, the Sellers shall cooperate in all reasonable respects with the Buyer in the transfer or assignment of any Real Property Lease to Buyer, in securing the consent of the landlord under such Real Property Lease to any such transfer or assignment or in the entry by Buyer into a new lease with any such landlord.

ARTICLE VI
CLOSING

6.1 Closing

The closing of the Contemplated Transactions (the "Closing") shall take place at the offices of Andrew Kurth, LLP, commencing at 10:00 a.m., Eastern Standard time, on February 15, 2013 (the "Closing Date"). The Closing shall be deemed to be effective as of 12:01 a.m., Eastern Standard time, on the Closing Date (the "Effective Time").

6.2 Sellers Closing Deliveries

At the Closing, the Sellers shall deliver or cause to be delivered to the Buyer:

(a) Waiver and Release. Waiver and Release duly executed by the Sellers;

(b) Lease Assignments. A separate assignment and assumption agreement for each Real Property Lease in a form to be mutually agreed upon by the parties, duly executed by the applicable Seller;

(c) Bills of Sale. A separate bill of sale for all of the Purchased Assets that are Personal Property and that are owned by each Seller, in a form to be mutually agreed upon by the parties, duly executed by each such Seller;

(d) Assignment and Assumption Agreements. A separate assignment and assumption agreement with respect to each Seller providing for the assignment to the Buyer of (i) all the Material Contracts, (ii) all of the Intellectual Property Assets, and (iii) all other intangible personal property of such Seller that constitutes a portion of the Purchased Assets and for the assumption by the Buyer of the Assumed Obligations, in a form to be mutually agreed upon by the parties (each, an "Assignment and Assumption Agreement"), duly executed by such Seller, together with any written consent of the non-Seller counterparty as may be necessary or required;

(e) Secretary's Certificate. A certificate, dated the Closing Date, duly executed by the secretary of each Seller: (i) attaching certified copies of each Seller's Organizational Documents; (ii) certifying on behalf of each Seller that all actions required to authorize and approve the execution and delivery of each Transaction Document to which such Seller is a party by such Seller and to authorize and approve the Contemplated Transactions have been taken, setting forth copies of such actions (including copies of any resolutions so authorizing and approving such matters) and certifying that all such copies are true and complete, in full force and effect, and unmodified as of the Closing Date; (iii) certifying the accuracy of the specimen signature(s) of the officer(s) of each Seller executing any Transaction Document on behalf of such Seller and (iv) certifying that the Disclosure Letter and Schedules thereto and all representations and warranties by the Sellers hereunder remain true and accurate as of the Closing Date as if made as of the Closing Date, and that as of the Closing Date there has been no material adverse change or effect since the date hereof on the Business, assets, results of operations or financial condition of the Business or the Purchased Assets, on the ability of any Seller to perform its obligations under this Agreement and the Transaction Documents to which it is a party or on the ability of Sellers to consummate the Contemplated Transactions;

(f) Approvals and Consents. Copies of all Governmental Authorizations, and Consents of third Persons, including Governmental Bodies, the granting of which are necessary for the Sellers to consummate the Contemplated Transactions by the Sellers;

(g) Public Certificates. A copy of a certificate of good standing and existence with respect each Seller issued by the appropriate Governmental Body of its jurisdiction of formation as of a date not more than five days prior to the Closing Date;

(h) Tax Certificates. Certificates issued by the relevant taxing authority reflecting that no taxes are overdue pursuant to the applicable Legal Requirements other than as disclosed in the Disclosure Letter;

(i) UCC Release. Authorization in writing by the Co-Borrowers (and any other holder, if any, of an Encumbrance other than a Permitted Encumbrance) upon the Purchased Assets for Buyer to file Uniform Commercial Code Termination Statements terminating and releasing any such Encumbrance upon the Purchased Assets, and a release from Co-Borrowers of any Claim against Sellers and the Purchased Assets; and

(j) Other Documents. All other documents as the Buyer may reasonably request for the purpose of (i) evidencing the accuracy of any Sellers' representations and warranties in any Transaction Document, (ii) evidencing the performance by the Sellers or the compliance by any Seller Party with, any covenant or obligation required to be performed or complied with by any Seller Party under any Transaction Document or (iii) otherwise facilitating the consummation or performance of any of the Contemplated Transactions, including officers' certificates as they may be requested.

6.3 Buyer Closing Deliveries

At the Closing, the Buyer shall deliver or cause to be delivered:

(a) Waiver and Release. Waiver and Release duly executed by IES;

(b) Assignment and Assumption Agreements. Each Assignment and Assumption Agreement, duly executed by the Buyer;

(c) Secretary's Certificate. A certificate, dated the Closing Date, duly executed by the secretary of the Buyer: (i) attaching certified copies of the Buyer's Organizational Documents; (ii) certifying on behalf of the Buyer that all actions required to authorize and approve the execution and delivery of each Transaction Document to which the Buyer is a party by the Buyer and to authorize and approve the Contemplated Transactions have been taken, setting forth copies of such actions (including copies of any resolutions so authorizing and approving such matters) and certifying that all such copies are true and complete, in full force and effect, and unmodified as of the Closing Date; and (iii) certifying the accuracy of the specimen signature(s) of the officer(s) of the Buyer executing any Transaction Document on behalf of the Buyer;

(d) Public Certificates. A copy of a certificate of good standing and existence of the Buyer issued by the appropriate Governmental Body of its jurisdiction of formation as of a date not more than five days prior to the Closing Date; and

(e) Other Documents. All other documents as the Sellers may reasonably request for the purpose of (i) evidencing the accuracy of the Buyer's representations and warranties in any Transaction Document, (ii) evidencing the performance by the Buyer or the compliance by

the Buyer with, any covenant or obligation required to be performed or complied with by the Buyer under any Transaction Document or (iii) otherwise facilitating the consummation or performance of any of the Contemplated Transactions, including officers' certificates as they may be requested.

6.4 Conditions to Closing.

The obligations of Buyer to purchase the Purchased Assets and assume the Assumed Liabilities are subject to (a) Buyer's receipt from Wells Fargo Bank, National Association of a written consent to consummation of the Contemplated Transactions and satisfaction of any conditions supplement to such consent, (b) there being no material adverse change or effect on the business, assets, results of operations or financial condition of the Business or the Purchased Assets, on the ability of any Seller to perform its obligations under this Agreement and the Transaction Documents to which it is a party or on the ability of Sellers to consummate the Contemplated Transactions and (c) delivery of the items set forth in Sections 6.2 and 6.3.

ARTICLE VII
INDEMNIFICATION; REMEDIES

7.1 Survival; Knowledge of Inaccuracies

All representations, warranties, covenants and obligations in this Agreement, the Disclosure Letter and any Transaction Document will survive the Closing.

7.2 Indemnification and Payment of Damages by Sellers

(a) On a joint and several basis, the Sellers, and the Co-borrowers only as to subparagraph (v) below (on a joint and several basis with each other and the Sellers), hereby indemnify and hold harmless the Buyer and its Representatives, stockholders and other equity holders and controlling persons (collectively, the "Buyer Indemnified Persons") against and from, and shall pay to the Buyer Indemnified Persons the amount of, any Damages or Claim for Damages arising, directly or indirectly, from, relating to or in connection with:

(i) any breach by any of the Sellers of any representation or warranty made by any of the Sellers in this Agreement or in any other Transaction Document;

(ii) any breach by any of the Sellers of any covenant or obligation of any of the Sellers contained in this Agreement or any transfer instrument or certificate delivered by any of the Sellers at the Closing;

(iii) any Excluded Liability; *provided*, however, the Sellers shall have no liability for any Taxes or Damages with respect to Taxes (A) that are attributable to any transaction outside the ordinary course of business of the Sellers entered into by the Buyer or any Related Person or at the direction of the Buyer or any Related Person that occurs on or after the Closing Date, or (B) with respect to any taxable period or portion of a taxable period beginning after the Closing Date;

(iv) the entry by any Seller or the Buyer into this Agreement or any Transaction Document; and

(v) any Damages and Claims arising pursuant to or in connection with the Encore Loan.

7.3 Indemnification and Payment of Damages by the Buyer

The Buyer shall indemnify and hold harmless the Sellers and their Representatives, stockholders and other equity holders and controlling persons (collectively, the "Seller Indemnified Persons") against and from, and shall pay to the Seller Indemnified Persons the amount of any Damages or Claim for Damages arising, directly or indirectly, from, relating to or in connection with:

(a) any breach by the Buyer of any representation or warranty made by the Buyer in this Agreement or in any other Transaction Document;

(b) any breach by the Buyer of any covenant or obligation of the Buyer in this Agreement or any other or any transfer instrument or certificate delivered by the Buyer at the Closing; and

(c) any Assumed Obligations.

7.4 Time Limitations and Restrictions

(a) The Sellers' indemnification obligations with respect to any Claim for indemnification under Section 7.2 shall survive the Closing indefinitely.

(b) The Buyer's indemnification obligations with respect to any Claim for indemnification under Section 7.3 shall survive the Closing indefinitely.

(c) The amount of any Damages for which any Indemnified Party is finally determined to be entitled to indemnification under this Article VII shall be reduced by any insurance proceeds and third party payments with respect to such Damages actually received by the applicable Indemnified Party (net of reasonable out-of-pocket expenses incurred in obtaining such insurance proceeds and third party payments and the amount of any retrospective or other current increase in premium that is attributable to the payment of such insurance proceeds).

(d) NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, NO INDEMNIFIED PARTY SHALL BE ENTITLED TO INDEMNIFICATION PURSUANT TO THIS ARTICLE VII FOR ANY PUNITIVE, INDIRECT, CONSEQUENTIAL, EXEMPLARY OR SPECIAL DAMAGES (COLLECTIVELY "*EXCLUDED DAMAGES*") SUFFERED BY SUCH INDEMNIFIED PARTY, EXCEPT TO THE EXTENT SUCH EXCLUDED DAMAGES ARE RECOVERED BY ANY THIRD PARTY AGAINST AN INDEMNIFIED PARTY IN A THIRD PARTY CLAIM IN RESPECT OF WHICH SUCH INDEMNIFIED PARTY WOULD OTHERWISE BE ENTITLED TO INDEMNIFICATION PURSUANT TO THIS ARTICLE VII. FOR PURPOSES OF THIS AGREEMENT, THE PARTIES ACKNOWLEDGE AND AGREE THAT DIMINUTION OF VALUE, EXCEPT TO THE EXTENT RESULTING FROM EXCLUDED DAMAGES THAT ARE OTHERWISE LIMITED BY THIS SECTION 7.4(D), SHALL BE CONSIDERED DIRECT DAMAGES AND NOT EXCLUDED DAMAGES THAT ARE OTHERWISE LIMITED BY THIS SECTION 7.4(D).

(e) Notwithstanding anything to the contrary in this Agreement, the Parties agree that if any Buyer Indemnified Party is entitled to be indemnified for any amount of Damages or Claim for Damages under Section 7.2 and such Damages or Claim for Damages is capable of being compensated or remedied by a payment to Buyer, then the applicable Indemnifying Party shall be entitled to elect to satisfy and discharge any such amount by paying such amount directly to the Buyer, rather than to any other Buyer Indemnified Party (and upon such payment to Buyer, no other Buyer Indemnified Party shall be entitled to receive any amount in respect of such Damages or Claim for Damages).

7.5 Exclusive Remedy; Exceptions to Limitations

Notwithstanding anything in this Agreement to the contrary, in no event will the limitations set forth in Section 7.4(c) and (d) apply in the event of fraud or criminal conduct by any Party against whom a Claim for indemnification is made under this Article VII (an "Indemnifying Party") or any of its Related Persons *provided however* that in the absence of fraud or criminal conduct, the indemnification provisions set forth in this Article VII are the sole remedy any Party may have in respect of any misrepresentation or inaccuracy in, or breach of, any representation or warranty or any breach or failure in performance of any covenant or agreement made in this Agreement or any other Transaction Document, except as expressly provided in this Agreement or any such Transaction Document. In addition, (a) in the event of a breach by any Seller Party of any of the provisions of Sections 5.1 or 5.3, the Buyer shall be entitled to obtain immediate injunctive relief, as the Sellers acknowledge and agree that any such breach would cause the Buyer irreparable injury for which it would have no adequate remedy at law; and (b) any Party shall be entitled to seek specific performance against any other Party pursuant to Section 8.13.

7.6 Procedure For Third Party Indemnification Claims

(a) Promptly after receipt by any party desiring to make a Claim for indemnification under this Article VII (an "Indemnified Party") of notice of any Claim from a third-party ("Third Party Claim") against it, such Indemnified Party will, if a Claim for indemnification is to be made against an Indemnifying Party, give prompt notice to the Indemnifying Party of such Claim, which shall contain (i) a description in reasonable detail of the facts and circumstances with respect to the subject matter of such Claim, and (ii) a good faith estimate of the amount of any Damages incurred or reasonably expected to be incurred by the Indemnified Party with respect to such Claim, (iii) a statement that the Indemnified Party is entitled to indemnification under this Section 7.6 with respect to such Claim, but the failure to notify any alleged deficiency in any notice, or any delay in notifying, the Indemnifying Party will not relieve the Indemnifying Party of any liability that it may have to any Indemnified Party, except to the extent that the Indemnifying Party demonstrates that the defense of such Proceeding is materially prejudiced by the Indemnified Party's failure or delay in giving such notice.

(b) If any Proceeding relating to a Third Party Claim referred to in Section 7.6(a) is brought against an Indemnified Party and it gives notice to the Indemnifying Party of the commencement of such Proceeding, the Indemnifying Party will be entitled to participate in such Proceeding and, to the extent that it wishes (unless (i) the Indemnifying Party is also a party to such Proceeding and the Indemnified Party determines in good faith that joint representation would be inappropriate, or (ii) the Indemnifying Party fails to provide reasonable assurance to the Indemnified Party of its financial capacity to defend such Proceeding and provide indemnification

with respect to any Damages arising under such Proceeding), to assume the defense of such Proceeding with counsel reasonably satisfactory to the Indemnified Party and, after notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense of such Proceeding, the Indemnifying Party will not, as long as it diligently conducts such defense, be liable to the Indemnified Party under this Article VII for any fees of other counsel or any other expenses with respect to the defense of such Proceeding, in each case subsequently incurred by the Indemnified Party in connection with the defense of such Proceeding, other than reasonable costs of investigation. If the Indemnifying Party assumes the defense of such a Proceeding, (i) no compromise or settlement of such Claims may be effected by the Indemnifying Party without the Indemnified Party's consent unless (A) there is no finding or admission of any violation of Legal Requirements or any violation of the rights of any Person and no effect on any other Claims that may be made against the Indemnified Party, and (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party; and (ii) the Indemnified Party will have no liability with respect to any compromise or settlement of such Claims effected without its consent. If the Indemnifying Party, within fifteen days after receipt of notice of the commencement of any Proceeding relating to a Third Party Claim (or, if earlier, by the fifteenth day preceding the day on which an answer or other pleading must be served in order to prevent judgment by default in favor of the Person asserting such Third-Party Claim or initiating such Proceeding) does not assume actively and in good faith the defense of any such Third-Party Claim or Proceeding relating thereto, the Indemnified Party may, at the Indemnifying Party's expense, assume the defense of such Third-Party Claim or Proceeding relating thereto, after giving notice of the same to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate, and the Indemnifying Party shall be entitled to participate in (but not control) such defense or Proceeding, with its counsel and at its own expense. The Indemnified Party shall not settle or compromise any such Third-Party Claim or Proceeding relating thereto for which it asserts that it is entitled to indemnification under this Agreement, without the prior written consent of the Indemnifying Party (which shall not be unreasonably withheld or delayed).

(c) Notwithstanding the foregoing, if an Indemnified Party determines in good faith that there is a reasonable probability that a Proceeding may subject it or any of its Related Persons to a liability other than monetary damages, the Indemnified Party may, by notice to the Indemnifying Party, assume the exclusive right to defend, compromise, or settle such Proceeding, but the Indemnifying Party will not be bound by any determination of a Proceeding so defended or any compromise or settlement effected without its consent (which may not be unreasonably withheld).

(d) The Sellers hereby consent to the non-exclusive jurisdiction of any court in which a Proceeding is brought against any Indemnified Party for purposes of any Claim that an Indemnified Person may have under this Agreement with respect to such Proceeding or the matters alleged therein, and agree that process may be served on any Seller Party with respect to such a claim anywhere in the world.

(e) The Indemnified Party or the Indemnifying Party, as the case may be, shall furnish such information in reasonable detail as it may have with respect to a Third-Party Claim (including copies of any summons, complaint or other pleading which may have been served on such party and any written Claim, invoice, billing or other document evidencing or asserting the same) to the other party if such other party is assuming defense of such Claim, and make available all records and other similar materials which are reasonably required in the defense of such Third-Party Claim and shall otherwise reasonably cooperate with and assist the defending party in the defense of such Third-Party Claim.

(f) With respect to any Third-Party Claim subject to indemnification under this Article VII: (i) both the Indemnified Party and the Indemnifying Party, as the case may be, shall keep the other Person reasonably informed of the status of such Third-Party Claims and any related Proceedings at all stages thereof where such Person is not represented by its own counsel, and (ii) the parties agree (each at its own expense) to render to each other such assistance as they may reasonably require of each other and to cooperate in good faith with each other in order to ensure the proper and adequate defense of any Third-Party Claim.

7.7 Procedure for Other Indemnification Claims

A claim for indemnification for any matter not involving a Third Party Claim may be asserted by notice to the Party from whom indemnification is sought.

7.8 Adjustments to Purchase Price

For all Tax purposes, the Parties agree to treat (and will cause each of their respective Related Persons to treat) any payment made under this Article VII as an adjustment to the Purchase Price.

7.9 Independent Reliance and Related Matters

(a) The Parties acknowledge and agree that any of the subsections of Section 7.2 and Section 7.3 may be relied upon independently of and without regard to any other of such subsections more specifically or generally covering the same subject matter. An Indemnified Party shall be entitled to seek recovery under such provisions of this Agreement that maximizes its recovery (*e.g.,* if particular Damages would be subject to the deductible in Section 7.4(c) if a Claim were made under one provision but would not be subject to such deductible if made under another provision, then the Indemnified Party may seek recovery under the provision that is not subject to the deductible).

(b) The Sellers' obligations to indemnify the Buyer Indemnified Persons under Section 7.2 (as limited by the other provisions of this Agreement) shall not be affected or reduced by the Buyer's obligations under Section 7.3(c).

7.10 Access and Information

With respect to any Claim for indemnification hereunder, the Indemnified Party will give to the Indemnifying Party and its counsel, accountants and other representatives reasonable access, during normal business hours and upon the giving of reasonable prior notice, to its Books and Records relating to such Claims, and to its employees, accountants, counsel and other representatives, all without charge to the Indemnifying Party except for reimbursement of reasonable out-of-pocket expenses. Notwithstanding anything contained in Section 5.5 to the contrary, if a Claim for indemnification is made hereunder, the Indemnified Party agrees to maintain their Books and Records then in its possession that may relate to such Claim for such period of time as may be necessary to enable the Indemnifying Party to resolve such Claim.

ARTICLE VIII
GENERAL PROVISIONS

8.1 Expenses

Except as otherwise expressly provided in this Agreement, each party will bear its own reasonable expenses incurred in connection with the preparation and execution of this Agreement, including all reasonable fees and expenses of legal counsel, accountants and other advisors.

8.2 Public Announcements

Any public announcement or similar publicity with respect to this Agreement or the Contemplated Transactions will be issued, if at all, at such time and in such manner as the Buyer and the Sellers mutually determine. Unless consented to in writing by the Buyer in advance, or required by Legal Requirements (in which case the contents of the proposed disclosure and the time and place the disclosure will take place will be provided in advance to the Buyer), the Sellers shall keep this Agreement and any other Transaction Documents strictly confidential and may not make any disclosure of this Agreement or any other Transaction Documents to any Person. The Sellers and the Buyer will consult with each other concerning the means by which each of the Sellers' employees, customers, and suppliers and others having dealings with each such entity will be informed of the Contemplated Transactions, and the Buyer will have the right to be present for any such communication.

8.3 Notices

All notices, consents, waivers, and other communications under this Agreement must be in writing and delivered by hand, by reputable overnight delivery service or other courier or by certified mail, postage prepaid, return receipt requested and will be deemed to have been duly given: (a) when received, if delivered by hand (with written confirmation of receipt); (b) when received, if sent by an overnight delivery service or other courier, in each case to the appropriate addresses set forth below or (c) on the date receipt is acknowledged if delivered by certified mail, postage prepaid, return receipt requested (or to such other addresses as a Party may designate in writing to the other Parties in accordance with this Section 8.3):

If to any Seller Party, to:

Harry Fleming
Residential Renewable Energy Technologies, Inc.
4120 Southwest Freeway, Suite 150
Houston, Texas 77042
Telephone: (713) 540-0363

If to the Buyer, to:

President
IES Residential, Inc.
10203 Mula Circle
Stafford, TX 77477
Telephone: (281) 498-2212

with a copy to:

General Counsel
Integrated Electrical Services, Inc.
One Sound Shore Drive, Suite 304
Greenwich, CT 06830
Telephone: (203) 992-1113

8.4 Further Assurances

The Parties agree, after the Closing: (a) to furnish upon request to each other such further information, (b) to execute and deliver to each other such further documents, instruments or conveyances, and (c) to do such other acts and things, all any other Party may reasonably request in order to further effect the Contemplated Transactions.

8.5 Waiver

The rights and remedies of the Parties are cumulative and not alternative. Neither the failure nor any delay by any Party in exercising any right, power, or privilege under this Agreement or any other Transaction Document will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable Legal Requirements, (a) no claim or right arising out of this Agreement or any other Transaction Document can be discharged by one Party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other Parties, (b) no waiver that may be given by a Party will be applicable except in the specific instance for which it is given, and (c) no notice to or demand on one Party will be deemed to be a waiver of any obligation of such Party or of the right of the Party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

8.6 Entire Agreement and Modification

This Agreement and the other Transaction Documents supersede all prior agreements between or among the Parties with respect to the subject matter hereof and thereof and constitute the entire agreement among the Parties with respect to the subject matter hereof and thereof. This Agreement may not be amended, modified or supplemented except by a written agreement executed by the Party to be charged with the amendment, supplement or modification.

8.7 Disclosure Letter

(a) Matters or items disclosed in any section of the Disclosure Letter shall be deemed to be disclosed for purposes of all other sections of the Disclosure Letter to the extent that it is reasonably apparent on the face of such disclosure that such disclosure is also responsive to such other sections of the Disclosure Letter.

(b) The disclosure of any item in the Disclosure Letter is not to be deemed to constitute knowledge or belief by the Sellers or an admission that, such information actually constitutes noncompliance with, or a breach or violation of, any Legal Requirement to which such disclosure is applicable.

8.8 Assignments; Successors; Third-Party Rights

No Party may assign any of its rights under this Agreement without the prior written consent of the other Parties except that the Buyer may assign any of its rights under this Agreement to any affiliate of Buyer. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of the Parties. This Agreement is solely for the benefit of, and nothing expressed or referred to in this Agreement will be construed to give any Person other than the Parties and their successors and permitted assigns any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

8.9 Severability

If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

8.10 Time of Essence

With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

8.11 Governing Law

This Agreement shall be construed and interpreted and the rights of the Parties governed by the internal laws of the State of New York without regard to any conflict of law or choice of law principles that would apply the substantive law of another jurisdiction.

8.12 Dispute Resolution

Any dispute among the Parties that arises from or relates to this Agreement or any of the other Transaction Documents, the relationship between such Parties that is created pursuant to such agreements, any alleged breach of any provision hereof or thereof, or in any way relating to the subject matter of such agreements (all of which are referred to herein as "Disputes"), including any Disputes that are extra-contractual in nature, or that are based on contract, tort, state or federal law,

or other legal or equitable bases, regardless of whether a Party is seeking Damages or any other relief and regardless of whether or not any specific Transaction Document refers to this Section 8.12 shall be resolved as provided in this Section 8.12; *provided*, however, that (i) the term "Disputes" does not include any disagreement under Section 2.6 because specific procedures are specified therein to resolve such disagreements and (ii) a Party shall be permitted to take the actions contemplated by Section 8.12(a).

(a) This Section 8.12 will not be construed to prevent the Parties from instituting, and the Parties are authorized to institute, formal proceedings (including seeking provisional remedies such as attachment, preliminary injunction, and replevin from the appropriate court) earlier to avoid the expiration of any applicable limitations period, to avoid irreparable harm, to enforce the restrictive covenants set forth in Section 5.1, to preserve a superior position with respect to other creditors, or to pursue injunctive or other equitable remedies.

(b) Any Dispute shall be submitted to mandatory and binding arbitration at the election of any Party (the "Disputing Party") pursuant to the following conditions:

(i) Procedures. The arbitration shall be conducted pursuant to the then applicable Commercial Arbitration Rules of the AAA, except as expressly provided in this Section 8.12 (the "AAA Rules"). The arbitrator (the "Arbitrator") shall be selected pursuant to the procedures set forth in Section 8.12(b)(ii). In resolving the substance of the Dispute, the Arbitrator shall apply substantive law of the state of New York or applicable substantive federal law, without regard to any conflict of law or choice of law principles that would apply the substantive law of another jurisdiction.

(ii) Selection of Arbitrator.

1. The Disputing Party shall notify the other parties that it is submitting the Dispute to final and binding arbitration to be conducted privately and confidentially in accordance with the terms of this Section 8.13.

2. The Dispute shall be resolved by a single Arbitrator mutually acceptable to the parties to such Dispute. If such parties are unable to agree upon a mutually acceptable Arbitrator within 30 days of the submission of the Dispute to arbitration, such Arbitrator shall be appointed in accordance with the then-applicable AAA Rules.

(iii) Replacement of Arbitrator. Should any Arbitrator refuse or be unable to proceed with arbitration proceedings as called for by this Section 8.12(b), such Arbitrator shall be replaced in the same manner by which he or she was appointed.

(iv) Place of Arbitration. The arbitration shall be held in Houston, Texas and shall be conducted in the Houston, Texas office of the AAA for purposes of such arbitration. The Parties expressly consent to the location of such arbitration and agree not to contest this venue provision or the choice of law provision set forth in Section 8.12(b)(i), it being acknowledged and agreed that Texas bears a reasonable relation to this Agreement and the Parties have knowingly and voluntarily elected a Texas forum. Any action in order to enforce this arbitration clause or an award granted hereunder may be brought in any court of competent jurisdiction. Process in any such

Proceeding may be served on any Party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each Party agrees that service of process on such Party as provided in Section 8.3 will be deemed effective service of process on such Party.

(v) Conduct of Arbitration. Upon the service of an arbitration demand, the Parties shall discuss and attempt to agree upon the manner, timing and extent of discovery that may be conducted prior to and in preparation for the arbitration hearing. In the event the Parties are unable to agree upon the manner, timing and extent of discovery, such issues shall be submitted to the Arbitrator for resolution. However, under no circumstances shall the Arbitrator allow more depositions, interrogatories, requests for production of documents and requests for admission than permitted by the presumptive limitations set forth in Fed. R. Civ. P. 26(b)(2). The Arbitrator shall have the authority to impose appropriate sanctions, including an award of reasonable attorneys' fees, against any party that fails to cooperate in good faith in discovery permitted by this Section 8.12(b)(v) or ordered by the Arbitrator. If the amount in dispute is less than $1,000,000.00, unless otherwise agreed by the Parties the arbitration hearing shall be conducted no later than 150 days after the determination of the Arbitrator in accordance with the procedures set forth in Section 8.12(b)(ii). If the amount in dispute is $1,000,000.00 or more, the arbitration hearing shall be conducted at such time as the Parties have completed the discovery permitted by this Section 8.12(b)(v) and as determined by the Arbitrator. Unless otherwise agreed by the Parties, the arbitration hearing shall be conducted on consecutive days. There shall be no transcript of the arbitration hearing. The Arbitrator must give effect to legal privileges including the attorney-client privilege and the work-product immunity.

(vi) Arbitration Award. The Arbitrator shall render a binding, reasoned decision within 20 days following the completion of the arbitration hearing. The award of the Arbitrator shall be in writing. The Arbitrator must certify in the award that such award conforms to the terms and conditions set forth in this Agreement (e.g., the award must comply with the parameters set forth in Article VII). The award rendered by the Arbitrator shall be binding and conclusive, and judgment on the award may be entered pursuant to Section 8.12(b)(iv).

(vii) Time of the Essence. The Arbitrator is instructed that time is of the essence in the arbitration proceeding, and that the Arbitrator shall have the right and authority to issue reasonable monetary sanctions against any Party if, upon a showing of good cause, such Party is unreasonably delaying the proceeding. The amount of such sanction shall be related to the additional harm, if any, caused by the delay.

(viii) Expenses. The Arbitrator shall have the authority to assess the costs and expenses of the arbitration proceeding (including the Arbitrator's fees and expenses) against any of the parties to such proceeding. The Arbitrator shall also have the authority to award attorneys' fees and expenses to the prevailing side.

(ix) Confidentiality. To the fullest extent permitted by law, the arbitration proceedings and award shall be maintained in confidence by the Parties.

(x) Severability. The provisions of this Section 8.12 are independent of the remaining provisions of this Agreement and the Parties intend that the provisions of this Section 8.12 shall continue in effect even though one or more provisions of the Agreement (including, for the avoidance of doubt, any provision of this Section 8.12) shall be determined to be invalid or unenforceable by a court of competent jurisdiction. This agreement to arbitrate shall also survive the termination or expiration of this Agreement.

(c) Acknowledgment. THE PARTIES EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY HAVE READ AND UNDERSTOOD THIS SECTION 8.12 AND THAT THEY ARE HEREBY KNOWINGLY AND VOLUNTARILY WAIVING THEIR RIGHT TO A JURY TRIAL AND JUDICIAL PROCEEDINGS OTHER THAN THOSE SPECIFIED IN SECTION 8.12(b).

8.13 Specific Performance

Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter, in addition to any other remedy to which they may be entitled, at law or in equity. Each Party hereby waives the defense in any equitable proceeding that there is an adequate remedy at law for any such actual or threatened breach of this Agreement.

8.14 No Presumption Against Any Party

Neither any Transaction Document nor any uncertainty or ambiguity therein shall be construed or resolved against any Party, whether under any rule of construction or otherwise. On the contrary, each Transaction Document has been reviewed by each of the Parties and their counsel and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all Parties.

8.15 Counterparts

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original Agreement and all of which, when taken together, will be deemed to constitute one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile transmission or scanned and e-mailed transmission will constitute effective execution and delivery of this Agreement and may be used in lieu of the original Agreement for all purposes. At the request of any Party, the Parties will confirm facsimile or scanned and emailed transmission by signing a duplicate original document.

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date first written above.

IES RENEWABLE ENERGY, LLC

By: /s/ William e. Wilks
Name: William e. Wilks
Title: Vice President

RESIDENTIAL RENEWABLE ENERGY TECHNOLOGIES, INC.

By: /s/ Harry Fleming
Name: Harry Fleming
Title: Director

ENERGY EFFICIENCY SOLAR, INC.

By: /s/ Douglas Samuelson
Name: Douglas Samuelson
Title: Corporate Secretary

LONESTAR RENEWABLE TECHNOLOGIES ACQUISITION CORP., Successor By Way Of Amalgamation With Acro Energy Technologies Corp.

By: /s/ Andy Chen
Name: Andy Chen
Title: Chief Financial Officer

With respect to Section 5.1 and those other Sections of this Agreement (including Section 8.13)necessary to interpret and enforce Section 5.1:

/s/ Harry J. Fleming
By: Harry J. Fleming

/s/ Douglas Samuelson
By: Douglas Samuelson

/s/ Brad C. Kovnat
By: Brad C. Kovnat

/s/ Eric Williams
By: Eric Williams

/s/ Kuang Jui Chen
By: Kuang Jui Chen

With respect to Sections 6.2(i) and (j), 7.2 and 8.4 and those other Sections of this Agreement necessary to interpret and enforce Section 7.2:

2818 Associates Ltd.

/s/ Harry J. Fleming
By: Harry J. Fleming

/s/ Brad C. Kovnat
By: Brad C. Kovnat

/s/ Robert J. Giblin
By: Robert J. Giblin

/s/ Donald Kramer
By: Donald Kramer

EXHIBIT A

DEFINED TERMS

"AAA" means the American Arbitration Association

"AAA Rules" is defined in Section 8.12(b)(i).

"Accounts Receivable" means all accounts and notes receivable from account, note and other debtors of the Sellers.

"Agreement" is defined in the preamble.

"AR Balance" means all Debt owed by Lonestar and EES to IES as of the day prior to the Closing Date under that certain Master Solar Subcontract dated August 4, 2011 and any and all amendments and addendums thereto, which aggregates not less than Three Million Seven Hundred Thousand Dollars ($3,700,000.00) . For the avoidance of doubt, AR Balance shall not include any Debt to Buyer under this Agreement or any other Transaction Documents.

"Arbitrator" is defined in Section 8.12(b)(i).

"Assignment and Assumption Agreement" is defined in Section 6.2(c).

"Assumed Obligations" means: (a) obligations first arising and solely attributable to the ownership and operation of the Purchased Assets at and after the Effective Time under any Material Contract set forth on Schedule 3.13(a) or under any Assumed Real Property Lease for which consent is not needed (unless obtained and furnished to the Buyer before Closing) (it being acknowledged for the avoidance of doubt that payment and other obligations arising under the Material Contracts or Assumed Real Property Leases or other Contracts that are Purchased Assets at or after the Effective Time but which relate to, in part or in whole, matters occurring prior to the Effective Time, to the extent relating to pre-Effective Time matters, shall not be Assumed Obligations and shall be Excluded Liabilities); and (b) obligations arising from the ownership, use, possession, or operation of the Purchased Assets to the extent attributable to conditions or circumstances first occurring or existing at and after the Effective Time; *provided*, however, that any Damages or Claims arising from or attributable to any breach by the Sellers of any representation and warranty contained in this Agreement shall not be Assumed Obligations.

"Assumed Personal Property" means all Personal Property of any kind or nature located in the state of California, including without limitation the Scheduled Personal Property, excluding only those items of Personal Property listed on Schedule C.

"Assumed Real Property" means the real property subject to the Assumed Real Property Leases.

"Assumed Real Property Leases" means that certain (a) *Air Commercial Real Estate Association Standard Industrial/Commercial Single-Tenant Lease –Gross* dated March 17, 2011 between EES and Bakker-Kiernan, LLC for nonresidential real property commonly known as 4213 Technology Drive, Modesto, California, and (b) *Commercial Lease* between EES and Filomeno and Elisa Cabral dated August 24, 2010 for nonresidential real property commonly known as 308 W. Monterey Street, Pomona, California.

"Benefit Arrangements" is defined in Section 3.9(a).

"Books and Records" means all books and records of the Sellers pertaining to the Business or the Purchased Assets, including all books of account, journals and ledgers, files, correspondence, memoranda, maps, plats, customer lists, suppliers lists, personnel records relating to Business Employees, catalogs, promotional materials, data processing programs and other computer software, building and machinery diagrams and plans, and Customer Relations Management databases, including SalesForce.com and all improvements to date and data necessary to conduct the ongoing Business.

"Business" means the solar panel install business and operations performed by the Sellers.

"Business Day" means each day other than a Saturday, Sunday, federal holiday or other day on which national banks in Houston, Texas, Pomona, California or Greenwich, Connecticut are authorized or required by law to be closed.

"Business Employee" is defined in Section 3.15(a).

"Buyer" is defined in the preamble.

"Buyer's FSA" is defined in Section 5.6(h).

"Buyer Indemnified Persons" is defined in Section 7.2(a).

"Cap" is defined in Section 2.2(a).

"Cash" means all of the Sellers cash existing as of the date prior to the Closing Date.

"CERCLA" means the United States Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., as amended, and comparable state statutes and regulations.

"Claim" means any and all claims, causes of action, demands, lawsuits, suits, information requests, proceedings, governmental investigations or audits and administrative orders.

"Closing" is defined in Section 6.1.

"Closing Date" is defined in Section 6.1.

"Co-Borrowers" means the co-borrowers under the Encore loan consisting of 2818 Associates Ltd., Harry J. Fleming, Brad. C. Kovnat, Robert J. Giblin and Donald Kramer.

"Consent" means any approval, consent, ratification, waiver, or other authorization for any Person (including any Governmental Authorization).

"Contemplated Transactions" means all of the transactions contemplated by the Transaction Documents.

"Continued Employee" is defined in Section 5.6(b).

"Contract" means any contract, agreement, understanding, option, right to acquire, preferential purchase right, preemptive right, warrant, indenture, debenture, note, bond, loan, loan agreement, collective bargaining agreement, lease, mortgage, franchise, license, purchase order, bid, commitment, letter of credit, guaranty, surety or any other legally binding arrangement, whether oral or written.

"Control" (including the correlative terms "Controlled by" and "under common Control with") means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a Person, whether through the ownership of voting securities or other Interests, by Contract, or otherwise.

"Creditors' Rights" is defined in Section 3.2(a).

"Damages" means all debts, liabilities, obligations, losses, damages, Taxes, costs and expenses, interest (including prejudgment interest), penalties, fines, reasonable legal fees, disbursements and costs of investigations, deficiencies, levies, duties and imposts.

"Debt" means, with respect to any Person, without duplication (and whether any of the following obligations are accrued or unaccrued):

(a) all indebtedness for borrowed money, including, all principal, interest or other obligations evidenced by or under a note, bond, debenture, letter of credit, draft or similar instrument;

(b) that portion of obligations with respect to capitalized or synthetic leases that is properly classified as a liability on a balance sheet in accordance with GAAP;

(c) liabilities under or pursuant to interest rate cap contracts, forward contracts, spot market contracts, swap contracts, futures contracts, foreign currency exchange contracts and other hedging or similar contracts (including breakage or associated fees);

(d) all obligations to pay the deferred purchase price of property or services (including the earned portion of any so-called "earn-out" obligations);

(e) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to acquired property;

(f) all indebtedness and obligations of the types described in the foregoing clauses (a) through (e) to the extent secured by any Encumbrance on any property or asset owned or held by that Person, regardless of whether the indebtedness secured thereby shall have been incurred or assumed by that Person or is otherwise nonrecourse to the credit of that Person; and

(g) all guarantees of any of the foregoing.

"Disclosure Letter" means the disclosure letter executed by a duly authorized representative of the Seller and delivered by the Seller to Buyer concurrently with the execution and delivery of this Agreement.

"Disputes" is defined in Section 8.12.

"Disputing Party" is defined in Section 8.12(b).

"EES" is defined in the preamble.

"Effective Time" is defined in Section 6.1.

"Employment Contract" means any management, consulting, profit sharing, equity option, equity purchase, pension, retainer, welfare, phantom equity, equity appreciation or other equity-incentive, deferred compensation, retirement, change in control, severance, retention or employment Contract.

"Employment Offer" is defined in Section 5.6(a).

"Encore Loan" means collectively, the *Loan Agreement and Revolving Line of Credit Promissory Note*, as amended from time to time, dated as of December 21, 2010, between Encore Bank, National Association, as lender, and Acro Energy Technologies, Inc., 2818 Associates Ltd., Harry J. Fleming, Brad. C. Kovnat, Robert J. Giblin and Donald Kramer, as borrowers.

"Encumbrance" means any charge, claim, marital or community property interest, condition, equitable interest, lien, option, pledge, security interest, condemnation award, preferential purchase right, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income, or exercise of any other attribute of ownership.

"Environment" means soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters, streams, ponds, drainage basins, and wetlands), ground waters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life, and any other environmental medium or natural resource.

"Environmental, Health, and Safety Liabilities" means any and all cost (including court costs and reasonable amounts for attorneys' fees, fees for witnesses and experts, and costs of investigation and preparation for defense of any Claim), damages, expense, liability, obligation, or other responsibility arising from or under an Environmental Law or an Occupational Safety and Health Law and consisting of or relating to:

(a) any environmental, health, or safety matters or conditions (including on-site or off-site contamination, occupational safety and health, and regulation of chemical substances or products);

(b) Proceedings, Damages, Claims, demands and response, investigative, remedial, or inspection costs and expenses arising under Environmental Law or Occupational Safety and Health Law;

(c) financial responsibility under Environmental Law or Occupational Safety and Health Law for cleanup costs, corrective action or reclamation, including any investigation, cleanup, removal, containment, or other remediation, response or reclamation actions required by applicable Environmental Law or Occupational Safety and Health Law and for any natural resource damages;

(d) identification of any of the Sellers or any Related Party of any of the Sellers or any Predecessor as a potentially responsible party under CERCLA or under any Environmental Law similar to CERCLA;

(e) presence at any time before the Effective Time of any above-ground and/or underground storage tanks, or any asbestos-containing material on, in, at, or under any property used in connection with the Business; or

(f) any other compliance, reclamation, corrective, investigative, or remedial measures required under any Environmental Law or Occupational Safety and Health Law or otherwise made in response to any notice, demand, directive or request from a Governmental Body.

The terms "removal", "remedial" and "response action" include the types of activities required by CERCLA and similar Environmental Laws to respond to a Release or Threat of Release of Hazardous Materials.

"Environmental Law" means any Legal Requirement that requires or relates to:

(a) advising appropriate authorities, employees, and the public of the threat of, intended or actual releases of pollutants or hazardous substances or materials, violations of discharge limits, or other prohibitions and of the commencement of activities, such as resource extraction or construction, that could have significant impact on the Environment;

(b) preventing or reducing to acceptable levels the release of pollutants or hazardous substances or materials into the Environment;

(c) reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes that are generated;

(d) assuring that products are designed, formulated, packaged, and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of;

(e) protecting natural resources, species, or ecological amenities;

(f) reducing to acceptable levels the risks inherent in the transportation of hazardous substances, pollutants, oil, or other potentially harmful substances;

(g) cleaning up Hazardous Materials that have been Released, preventing the Threat of Release, or paying the costs of such clean up or prevention;

(h) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment, or permitting self-appointed representatives of the public interest to recover for injuries done to public assets;

(i) obtaining Governmental Authorizations prior to engaging in any activities, conduct or actions impacting the Environment; or

(j) protecting human health or the Environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

"ERISA Affiliate" means, with respect to any Person, trade or business, any other Person, trade or business that is a member of a group described in IRC Section 414(b), (c), (m) or (o) or ERISA Section 4001(b)(l) that includes the first Person, trade or business, or that is a member of the same "controlled group" as the first Person, trade or business pursuant to ERISA Section 4001(a)(14).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

"Excluded Assets" means Cash as of the Closing, all Real Property other than the Assumed Real Property, all Employment Contracts, minute books and Tax Returns of the Sellers, all personnel Records and other Records that the Sellers are required by Legal Requirements to retain in its possession, all rights of the Sellers under this Agreement and any Transaction Document, any Tax refunds with respect to any taxable period ending on or before the Closing Date, and any assets relating to a Benefit Arrangements.

"Excluded Damages" is defined in Section 7.4(d).

"Excluded Liabilities" means all debts, liabilities and obligations of any kind or character, whether known or unknown, absolute, accrued, contingent or otherwise (whether or not disclosed in a schedule to this Agreement) of the Sellers or any of their respective Related Persons or which otherwise result in the imposition of an Encumbrance, other than a Permitted

Encumbrance, on any of the Purchased Assets, other than the Assumed Obligations. Excluded Liabilities include, for the avoidance of doubt and without limitation, (a) any Damages or Claims, whether or not disclosed in a schedule to this Agreement (other than the Assumed Obligations), which Damages or Claims arise out of, relate to or result from non-compliance with Legal Requirements committed prior to the Effective Time that relate to the Business or the Sellers or any of their respective Related Persons (including any non-compliance with Environmental Laws), (b) any Environmental, Health or Safety Liabilities of the Sellers or any of their respective Related Persons arising from or as a consequence of any circumstance or condition existing or event occurring prior to the Effective Time, (c) the following Taxes: (i) any and all Taxes imposed on any of the Sellers or any of their Related Persons; (ii) any Taxes imposed on or with respect to the Excluded Assets and (iii) any and all Taxes imposed on or with respect to the Purchased Assets and/or the Business for any Pre-Closing Taxable Period, (d) any debts, liabilities and obligations of any kind or character, whether known or unknown, absolute, accrued, contingent or otherwise arising out of, relating to or resulting any of the Sellers' compliance with employee pay or classification requirements, including overtime pay requirements, prior to the Closing, and (e) any debts, liabilities and obligations of any kind or character, whether known or unknown, absolute, accrued, contingent or otherwise arising out of, relating to or resulting from a Plan and/or Other Benefits Obligations, from the Encore Loan or any other loan obligations entered into by any Seller or from any litigation proceeding or warranty claim imposed on any Seller and disclosed in the Disclosure Letter and the Schedules thereto.

"Family" means, with respect to any natural person, collectively: (a) such natural person, (b) such person's spouse and former spouses, (c) any other natural person who is related to such person or such person's spouse within the second degree (including by way of adoption), and (d) any other natural person who resides with such person.

"Financial Statements" is defined in Section 3.3(a).

"GAAP" means generally accepted accounting principles in the United States, as in effect from time to time.

"Governmental Authorization" means any Consent, license, permit, waiver or certificate issued, granted, given, or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

"Governmental Body" means any governmental, quasi-governmental, state, county, city, village, district or other political subdivision of the United States or any other country, any multinational organization or body, or any agency, court or instrumentality, foreign or domestic, or statutory or regulatory body thereof.

"Gross Revenue" means the gross Revenue recognized in accordance with GAAP generated from Buyer's business operations arising from the Purchased Assets, which, for the avoidance of doubt, shall not include any revenue whatsoever from any Contracts or backlog of the Sellers in existence as of January 4, 2013, the date of the Term Sheet signed by the Parties, or any amendments, supplements or replacements to such Contracts involving the same homeowner contract parties but with our without the same financing parties, including without limitation any such Contracts or backlog identified on Schedule A hereto.

"Hazardous Activity" means the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release or Threat of Release, storage, transfer, transportation, treatment, or use (including any extraction) of Hazardous Materials in, on, under, about, or from the Real Property or in connection with the Business that may result in any Environmental, Health and Safety Liabilities.

"Hazardous Materials" means any chemical, product, material, waste or other substance (including any admixture or solution thereof) that whether by its nature or its use is regulated or as to which liability might arise under any Environmental Law, and specifically including: (a) solid or hazardous wastes, as defined in any Environmental Law, (b) hazardous substances, as defined in any Environmental Law, (c) toxic substances, as defined in any Environmental Law, (d) pollutants or contaminants, as defined in any Environmental Law, (e) insecticides, fungicides, or rodenticides, as defined any Environmental Law, (f) petroleum hydrocarbons including natural gas, crude oil, or any components, fractions or derivatives thereof, and (g) gasoline or any other petroleum product or byproduct, polychlorinated biphenyls, asbestos, urea formaldehyde, naturally occurring radioactive materials, radioactive materials or radon.

"Hire Date" is defined in Section 5.6(a).

"IES" is defined in the preamble.

"Improvements" is defined in Section 3.5(b)(viii).

"Indemnified Party" is defined in Section 7.6(a).

"Indemnifying Party" is defined in Section 7.5.

"Installation Contracts" means all Contracts for the development, installation and/or sale of solar systems (including any master Contract and addendums thereto), including that certain Master Development, Installation and Purchase Agreement, dated as of August 1, 2012 between Residential and OneRoof Energy, Inc. and any and all addendums thereto, and that certain Master Solar Facility Turnkey Contract, dated as of October 16, 2009 between Acro Energy Technologies, Inc. and its parent company Acro Energy Technologies Corp. and SunRun, Inc. and any and all addendums thereto.

"Intellectual Property Assets" is defined in Section 3.17(a).

"Interest" means, with respect to any Person: (a) capital stock, member interests, partnership interests, other equity interests, rights to profits or revenue and any other similar interest of such Person; (b) any security or other interest convertible into or exchangeable or exercisable for any of the foregoing; and (c) any right (contingent or otherwise) to acquire any of the foregoing.

"IRC" means the Internal Revenue Code of 1986, as amended, or any successor law, and regulations issued by the IRS pursuant to the Internal Revenue Code or any successor law.

"IRS" means the United States Internal Revenue Service or any successor agency, and, to the extent relevant, the United States Department of the Treasury.

"Knowledge" means, (a) with respect to the Sellers, and in reference to any fact or other matter, that any of Harry J. Fleming, Douglas Samuelson, Brad C. Kovnat, Eric Williams, Kuang Jui Chen, Robert J. Giblin or Donald Kramer is, or at any time was, actually aware of such fact or other matter and (b) with respect to the Buyer, and in reference to any fact or other matter, that any of Dwayne Collier, Gail Makode, Robert Lewey, Teddy Wilks, Abigail Ferrari, William Albright, or Jared Hartley is, or at any time was, actually aware of such fact or other matter.

"Latest Financials" is defined in Section 3.3(a)

"Leased Real Property" is defined in Section 3.5(b).

"Legal Requirement" means any law, statute, treaty, code, ordinance, order, rule, rule of common law, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization, or other directional requirement of any Governmental Body.

"Lonestar" is defined in the preamble.

"Material Contracts" is defined in Section 3.13(a).

"Material Interest" means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) of voting securities or other voting Interests representing at least 10% of the outstanding voting power of a Person or equity securities or other equity Interests representing at least 10% of the outstanding equity securities or equity interests in a Person.

"Non-Compete Subject Parties" is defined in Section 5.1.

"Occupational Safety and Health Law" means any Legal Requirement designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any program designed to provide safe and healthful working conditions, including the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.) and comparable state statutes and regulations.

"Order" means any award, decision, injunction, judgment, order, ruling, finding, determination, subpoena, or verdict entered, issued, made, or rendered by any Governmental Body or by any arbitrator.

"Ordinary Course of Business" means the ordinary and usual course of operations of the Business consistent with past practices and customs.

"Organizational Documents" means: (a) the articles or certificate of incorporation and the bylaws of a corporation, (b) the partnership agreement and any statement of partnership of a general partnership, (c) the limited partnership agreement and the certificate of limited partnership of a limited partnership, (d) the articles or certificate of organization and the operating agreement of a limited liability company, (e) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person, and (f) any amendment to any of the foregoing.

"Other Benefit Obligations" means all obligations, arrangements, or customary practices, whether or not legally enforceable, to provide benefits, other than salary, as compensation for services rendered, to present or former directors, managers, employees, contractors or agents, other than obligations, arrangements, and practices that are Plans, that are owed, adopted, or followed by any of the Sellers or any of their respective ERISA Affiliates or with respect to which any of the Sellers or any of their respective ERISA Affiliates participates, sponsors, maintains, contributes or is a party or may have any liability or obligation whether actual or contingent. Other Benefit Obligations include, without limitation, Employment Contracts and consulting agreements under which the compensation paid does not depend upon the amount of service rendered, sabbatical policies, vacation policies, severance payment policies, plans or agreements, deferred compensation policies, plans or agreements, equity option, phantom equity, or other equity compensation plans, bonus arrangements, change in control policies, plans or agreements and fringe benefits within the meaning of IRC Section 132.

"Owned Real Property" is defined in Section 3.5(a).

"Party" and "Parties" are defined in the second paragraph in this Agreement.

"Permitted Encumbrances" means:

(a) Encumbrances for current period Taxes which are not yet due and payable,

(b) inchoate Encumbrances arising by operation of law, including materialman's, mechanic's, repairman's, laborer's, warehousemen, carrier's, employee's, contractor's and operator's Encumbrances arising in the Ordinary Course of Business (excluding any Encumbrances relating to or arising out of Employee Benefit Plans) but only to the extent such Encumbrances secure obligations that, as of the Closing, are not due and payable and are not being contested unless being contested in good faith,

(c) Encumbrances pursuant to the terms of Real Property Leases,

(d) zoning and other land use regulations of any Governmental Body, *provided* that such regulations do not materially impair or diminish the present use of the property subject thereto, and

(e) Encumbrances affecting a landlord's interest in property leased to the Sellers, including under any Material Contract, so long as such Encumbrances do not breach and are not reasonably likely to breach a customary covenant of quiet enjoyment (due to the existence of a non-disturbance agreement or other arrangement in which the tenant's interest is recognized and protected).

"Person" means any natural person, firm, limited partnership, general partnership, association, corporation, limited liability company, company, trust, other organization (whether or not a legal entity), public body or government, including any Governmental Body.

"Personal Property" is defined in Section 3.5(c).

"Plan" means any "employee benefit plan," as such term is defined in ERISA Section 3(3) (including, but not limited to, employee benefit plans, such as foreign plans, which are not subject to the provisions of ERISA) with respect to which any of the Sellers or an ERISA Affiliate of any of the Sellers is or was a Plan Sponsor, or to which any of the Sellers or an ERISA Affiliate of any of the Sellers otherwise maintains or contributes or has maintained or contributed, or is or has been required to maintain or contribute, or in which any of the Sellers or an ERISA Affiliate of any of the Sellers otherwise participates or has participated.

"Plan Sponsor" has the meaning given in ERISA Section 3(16)(B).

"Pre-Closing Taxable Period" means any taxable period ending on or before the Closing Date and that portion of any taxable period beginning on or before and ending after the Closing Date up to and including the Closing Date.

"Predecessor" means any Person whose liabilities, including liabilities arising under any Environmental Law, have or may have been retained or assumed by any of the Sellers or any Related Person of any of the Sellers, either contractually or by operation of law.

"Proceeding" means any action, arbitration, audit, hearing, investigation, inquiry, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

"Property Taxes" is defined in Section 5.2(a).

"Public Entity" is defined in Section 5.1(a).

"Purchase Price" is defined in Section 2.2.

"Purchase Price Allocation" is defined in Section 2.6.

"Purchased Assets" is defined in Section 2.1(b).

"Real Property" means Owned Real Property and Leased Real Property.

"Real Property Leases" is defined in Section 3.5(b).

"Record" means information that is inscribed as a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

"Related Person" means:

(a) with respect to any natural person: (i) each other member of such person's Family, (ii) any Person that is directly or indirectly Controlled by such person or one or more members of such person's Family, (iii) any Person in which such person or members of such person's Family hold (individually or in the aggregate) a Material Interest, and (iv) any Person with respect to which such person or one or more members of such person's Family serves as a director, manager, officer, partner, executor, or trustee (or in a similar capacity); and

(b) with respect to any Person other than a natural person: (i) any Person that directly or indirectly controls, is directly or indirectly Controlled by, or is directly or indirectly under common Control with such specified Person, (ii) any Person that holds a material Interest in such specified Person, (iii) each Person that serves as a director, officer, partner, manager, executor, or trustee of such specified Person (or in a similar capacity); (iv) any Person in which such specified Person holds a Material Interest, and (v) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity).

"Release" means any spilling, leaking, emitting, discharging, depositing, escaping, leaching, pumping, pouring, placing, discarding, abandoning, emptying, injecting, dumping, or other releasing into the Environment, whether intentional or unintentional.

"Representative" means, with respect to a particular Person, any director, manager, member, officer, employee, contractor, agent, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

"Residential" is defined in the preamble.

"Restricted Area" is defined in Section 5.1(a).

"Revenue" means the total revenue generated from the installation of solar energy systems.

"Scheduled Accounts Receivable" is defined in Section 3.7.

"Scheduled Governmental Authorizations" is defined in Section 3.10(b).

"Scheduled Personal Property" is defined in Section 3.5(c).

"Sellers" is defined in the preamble.

"Seller Indemnified Persons" is defined in Section 7.3.

"Seller's FSA" is defined in Section 5.6(h).

"Tax" means: (a) any taxes, assessments, fees, unclaimed property and escheat obligations and other governmental charges imposed by any Governmental Body, including income, profits, gross receipts, net proceeds, alternative or add on minimum, ad valorem, value added, turnover, sales, use, property, personal property (tangible and intangible), environmental, stamp, leasing, lease, user, excise, duty, franchise, capital stock, transfer, registration, license, withholding, social security (or similar), unemployment, disability, payroll, employment, social contributions, fuel, excess profits, occupational, premium, windfall profit, severance, estimated, or other charge of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not, (b) any liability for the payment of any amounts of the type described in clause (a) of this definition as a result of being a member of an affiliated group filing a

consolidated U.S. federal income Tax Return or having any liability for Taxes of any Person under Section 1.1502 -6 of the Treasury Regulations (or any similar provision of state, local or foreign law), and (c) any liability of for the payment of any amounts of the type described in clause (a) or (b) of this definition as a result of the operation of law or any express or implied obligation to indemnify any other Person.

"Tax Items" means all items of income, gain, loss, deduction and credit and other Tax items.

"Tax Return" means any return (including any information return), report, statement, schedule, notice, form, or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Legal Requirement relating to any Tax, including any schedules thereto or amendments thereof.

"Term Sheet" means that Term Sheet executed by the Parties effective January 4, 2013 as amended from time to time.

"Third Party Claim" is defined in Section 7.7(a).

"Threat of Release" means a substantial likelihood of a Release that may require action in order to prevent or mitigate damage to the Environment that may result from such Release.

"Transaction Documents" means this Agreement and all other Contracts, conveyances, instruments and certificates delivered at the Closing pursuant to this Agreement.

"Transfer Taxes" is defined in Section 5.2(c).

"Treasury Regulations" means the regulations promulgated under the IRC.

"TSA" means that Transition Services Agreement between Buyer and Sellers dated January 4, 2013, as amended from time to time, and the related agreements.

"Voided Transfer" is defined in Section 2.2(b).

"Waiver and Release" is defined in Section 2.2(b).

"WARN Act" means the Worker Adjustment and Retraining Notification Act, 29 U.S.C. Section 2101, et seq., and any comparable state or local law, and all applicable regulations.

"Workers' Compensation Law" means Legal Requirements that provide for awards to employees and their dependents for employment-related accidents and occupational diseases.

EXHIBIT B

FORM OF WAIVER AND RELEASE

This WAIVER AND RELEASE is entered into on this 8th day of February, 2013, by and between IES Residential, Inc. ("IES"), Residential Renewable Energy Technologies, Inc. ("Residential"), Energy Efficiency Solar, Inc. ("EES") and Lonestar Renewable Technologies Acquisition Corp., successor by way of amalgamation with Acro Energy Technologies Corp. ("Lonestar" and with Residential and EES, the "Sellers", and with IES, the "Parties").

WHEREAS, IES Renewable Energy, LLC (the "Buyer"), a subsidiary of IES, and the Parties have entered into that certain *Asset Purchase Agreement* dated February 8, 2013 (the "APA"), pursuant to which the Buyer purchased the Purchased Assets (as defined in the APA) from the Sellers; and

WHEREAS, as of the date hereof, Lonestar and EES are obligated to IES in an amount not less than Three Million Seven Hundred Thousand Dollars ($3,700,000.00) (the "AR Balance") under that certain *Master Solar Subcontract* dated August 4, 2011 (the "Master Solar Subcontract") and any and all amendments and addendums thereto; and

WHEREAS, as part of the consideration for the Purchased Assets, Buyer agreed to waive and release the AR Balance; *provided that*, for the avoidance of doubt, the AR Balance shall not include any claims, causes of action, demands, lawsuits, suits, information requests, proceedings, governmental investigations or audits and administrative orders, of any kind or nature that Buyer or IES has, had or may have under the APA or any other Transaction Documents (as defined in the APA).

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and other valuable consideration, the receipt of which is hereby acknowledged, it is stipulated and agreed by and between the Parties, as follows:

1. IES, on behalf of itself and its predecessors in interests, successors in interests, officers, directors, shareholders, agents, representatives, affiliates, subsidiaries, parents, successors and assigns (collectively, the "IES Parties"), hereby releases the Sellers and all of their predecessors in interests, successors in interests, officers, directors, shareholders, agents, representatives, affiliates, subsidiaries, parents, successors and assigns (collectively, the "Seller Parties"), from all actions, causes of action, suits, debts, sums of money, accounts, damages, claims and demands whatsoever, in law or equity, known or unknown or hereinafter becoming known, liquidated or unliquidated, contingent or fixed, which the IES Parties ever had, now has or hereafter can, shall or may have against the Seller Parties arising from or under or in connection with the Master Solar Subcontract, including without limitation, the AR Balance.

2. The Seller Parties, hereby release the IES Parties, from all actions, causes of action, suits, debts, sums of money, accounts, damages, claims and demands whatsoever, in law or equity, known or unknown or hereinafter becoming known, liquidated or unliquidated, contingent or fixed, which the Seller Parties ever had, now has or hereafter can, shall or may have against the IES Parties arising from or under or in connection with the Master Solar Subcontract or any related agreement.

3. Notwithstanding anything contained herein, if the Contemplated Transaction or the transfer of any of the Purchased Assets to Buyer should for any reason be declared by any Order in any Proceeding to be void or voidable under any state or federal law or Legal Requirement and the transfer is avoided or unwound, or Buyer incurs any Damages in connection with or arising from the Contemplated Transaction or the transfer of any of the Purchased Assets to Buyer for which Buyer has not been indemnified and paid by Sellers, then the liability of Sellers for the AR Balance shall automatically be revived, reinstated, and restored to the extent provided in Section 2.2(b) of the APA. Capitalized terms not otherwise defined in this paragraph shall have the meaning sets for in the APA.

4. This Waiver and Release may be executed in multiple counterparts, which together shall constitute one and the same instrument. Each counterpart may be delivered by email as a .pdf attachment or facsimile transmission, and an emailed or faxed signature shall have the same force and effect as an original signature.

5. This Waiver and Release and all the provisions hereof shall be binding upon and shall inure to the benefit of all the Parties, each of the Parties' respective executors, heirs, successors and assigns, and all entities claiming by or through any of the Parties.

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date first written above.

IES RESIDENTIAL, INC.

By: /s/ William E. Wilks
Name: William E. Wilks II
Title: Vice President

RESIDENTIAL RENEWABLE ENERGY TECHNOLOGIES, INC.

By: /s/ Harry Fleming
Name: Harry Fleming
Title: Director

ENERGY EFFICIENCY SOLAR, INC.

By: /s/ Douglas Samuelson
Name: Douglas Samuelson
Title: Corporate Secretary

LONESTAR RENEWABLE TECHNOLOGIES ACQUISITION CORP., Successor By Way Of Amalgamation With Acro Energy Technologies Corp.

By: /s/ Andy Chen
Name: Andy Chen
Title: Chief Financial Officer

EXHIBIT C

EVIDENCE OF CONSENTS

SCHEDULE A

Contracts or Backlog of the Sellers in existence as of January 4, 2013

SCHEDULE B1

Sales Commission Payments Schedule Pursuant to Section 2.2(a)

SCHEDULE B2

Deficiencies in Funding Payments to be Deducted from the Purchase Price Payments

SCHEDULE C

Excluded Personal Property

All personal property located at 10700 Richmond Ave,, Suite 275, Houston, Texas 77042.

Exhibit 10.1

JOINDER AND FIRST AMENDMENT TO
CREDIT AND SECURITY AGREEMENT

THIS JOINDER AND FIRST AMENDMENT TO CREDIT AND SECURITY AGREEMENT (this "Amendment"), dated February 12, 2013, is made and entered into by and among **WELLS FARGO BANK, NATIONAL ASSOCIATION** ("Lender"), **IES RENEWABLE ENERGY, LLC**, a Delaware limited liability company ("New Borrower"), **INTEGRATED ELECTRICAL SERVICES, INC.**, a Delaware corporation; **IES COMMERCIAL & INDUSTRIAL, LLC**, a Delaware limited liability company; **IES COMMERCIAL, INC.**, a Delaware corporation; **IES MANAGEMENT, LP**, a Texas limited partnership; **IES MANAGEMENT ROO, LP**, a Texas limited partnership; **IES PURCHASING & MATERIALS, INC.**, a Delaware corporation; **IES RESIDENTIAL, INC.**, a Delaware corporation; **INTEGRATED ELECTRICAL FINANCE, INC.**, a Delaware corporation; (each, individually an "Existing Borrower", and collectively, the "Existing Borrowers"; and together with New Borrower, each, individually a "Borrower", and collectively, the "Borrowers"), **IES CONSOLIDATION, LLC**, a Delaware limited liability company; **IES PROPERTIES, INC.**, a Delaware corporation; **IES SHARED SERVICES, INC.**, a Delaware corporation; **IES TANGIBLE PROPERTIES, INC.**, a Delaware corporation; **KEY ELECTRICAL SUPPLY, INC.**, a Texas corporation; **IES OPERATIONS GROUP, INC.**, a Delaware corporation and **ICS HOLDINGS LLC**, an Arizona limited liability company (each, individually a ("Guarantor"), and collectively, the "Guarantors").

RECITALS

A. WHEREAS, Borrowers and Lender have entered into that certain Credit and Security Agreement dated as of August 9, 2012 (as the same may be amended, restated or modified from time to time, the "Credit Agreement"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

B. WHEREAS, Borrowers have requested that Lender (i) make a $5,000,000 term loan to Borrowers and (ii) amend certain provisions in the Credit Agreement.

C. WHEREAS, Lender has agreed to make a $5,000,000 term loan to Borrowers and amend the provisions to the Credit Agreement requested by Borrowers on the terms and conditions as set forth herein.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound agree as follows:

ARTICLE I.
AMENDMENT

Effective as of the Effective Date (as defined below), the Credit Agreement is hereby amended and supplemented as follows:

1.01 Amendment to Section 2.2. Section 2.2 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

> "2.2 **Term Loan.** Subject to the terms and conditions of this Agreement, on the First Amendment Closing Date Lender agrees to make a term loan ("Term Loan") to Borrowers in an amount equal to the Term Loan Amount. The principal of the Term Loan shall be repaid on the first day of each calendar

month beginning on the first calendar month after the First Amendment Closing Date, in monthly principal installments equal to $208,333.33, which amount is sufficient to fully amortize the principal balance of the Term Loan Amount over an assumed term of twenty-four (24) months until February 12, 2015 (the "Term Loan Maturity Date"). The outstanding unpaid principal balance and all accrued and unpaid interest on the Term Loan shall be due and payable on the earlier of (i) the Term Loan Maturity Date or (ii) the Termination Date. Any principal amount of the Term Loan that is repaid or prepaid may not be reborrowed."

1.02 Amendment to Section 2.4(e). Section 2.4(e) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(e) Optional Prepayment of Term Loan. Borrowers may, upon at least three (3) Business Days prior written notice to Lender, prepay the principal of the Term Loan, in whole or in part. Each prepayment of principal made pursuant to this Section 2.4(e) shall be accompanied by the payment of accrued interest to the date of such payment on the amount prepaid and the prepayment fee described in Section 2.12 and Schedule 2.12. So long as no Default or Event of Default shall have occurred, each such prepayment shall be applied against the remaining installments of principal due on the Term Loan in the inverse order of maturity (for the avoidance of doubt, any amount that is due and payable on the Term Loan Maturity Date shall constitute an installment)."

1.03 Amendment to Section 2.4(f). Section 2.4(f) of the Credit Agreement is amended and restated in its entirety to read as follows:

"(f) Mandatory Prepayment. If, at any time, (i) the Revolver Usage exceeds (A) the Borrowing Base or (B) the Maximum Revolver Amount, less Reserves (in accordance with Section 2.1(c)) at such time or (ii) (A) the sum of the outstanding principal balance of the Term Loan on such date plus the Revolver Usage on such date exceeds (B) the Maximum Credit, less Reserves (in accordance with Section 2.1(c)) at such time (such excess amount described in clauses (i) and (ii) being referred to as the "Overadvance Amount"), then Borrowers shall immediately upon demand prepay the Obligations in an aggregate amount equal to the Overadvance Amount. If payment in full of the outstanding revolving loans is insufficient to eliminate the Overadvance Amount and Letter of Credit Usage continues to exceed the Borrowing Base, Borrowers shall maintain Letter of Credit Collateralization of the outstanding Letter of Credit Usage sufficient to eliminate the Overadvance Amount. Lender shall not be obligated to provide any Advances during any period that an Overadvance Amount is outstanding."

1.04 Amendment to Section 2.6(a). Section 2.6(a) of the Credit Agreement is amended and restated in its entirety to read as follows:

"(a) Interest Rates. Except as provided in Section 2.6(b), the principal amount of all Obligations (except for the undrawn Letters of Credit and Bank Products) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest on the Daily Balance thereof at a per annum rate equal to the Interest Rate plus the applicable Interest Rate Margin."

1.05 Amendment to Section 2.7. Section 2.7 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"2.7 **Designated Account**. Borrowers agree to establish and maintain one or more Designated Accounts, each in the name of a single Borrower, for the purpose of receiving the proceeds of the Advances requested by Borrowers and made by Lender hereunder and the proceeds of the Term Loan. Unless otherwise agreed by Lender and Borrowers, any Advance requested by Borrowers and made by Lender hereunder shall be made to the applicable Designated Account."

1.06 Amendment to Section 2.8. Section 2.8 of the Credit Agreement is amended and restated in its entirety to read as follows:

"2.8 **Maintenance of Loan Account; Statements of Obligations**. Lender shall maintain an account on its books in the name of Borrowers (the "Loan Account") in which will be recorded the Term Loan, all Advances made by Lender to Borrowers or for Borrowers' account, the Letters of Credit issued or arranged by Lender for Borrowers' account, and all other payment Obligations hereunder or under the other Loan Documents, including accrued interest, fees and expenses, and Lender Expenses. In accordance with Section 2.4 and Section 2.5, the Loan Account will be credited with all payments received by Lender from Borrowers or for Borrowers' account. All monthly statements delivered by Lender to the Borrowers regarding the Loan Account, including with respect to principal, interest, fees, and including an itemization of all charges and expenses constituting Lender Expenses owing, shall be subject to subsequent adjustment by Lender but shall, absent manifest error, be conclusively presumed to be correct and accurate and constitute an account stated between Borrowers and Lender unless, within thirty (30) days after receipt thereof by Borrowers, Borrowers shall deliver to Lender written objection thereto describing the error or errors contained in any such statements."

1.07 Amendment to Section 2.9. Section 2.9 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"2.9 **Maturity Termination Dates**. Lender's obligations under this Agreement shall continue in full force and effect for a term ending on the earliest of (i) August 9, 2016 (the "Maturity Date") or (ii) the date Borrowers terminate the Revolving Credit Facility, or (iii) the date the Revolving Credit Facility terminates or the Term Loan is accelerated pursuant to Sections 10.1 and 10.2 following an Event of Default (the earliest of these dates, the "Termination Date"). The foregoing notwithstanding, Lender shall have the right to terminate its obligations under this Agreement immediately and without notice upon the occurrence and during the continuation of an Event of Default. Each Borrower jointly and severally promises to pay the Obligations (including principal, interest, fees, costs, and expenses, including Lender Expenses) in full on the Termination Date (other than the Hedge Obligations, which shall be paid in accordance with the applicable Hedge Agreement)."

1.08 Amendment to Section 2.11. Section 2.11 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"2.11 **Termination or Reduction by Borrowers.**

(a) Borrowers may terminate the Credit Facility or reduce the Maximum Revolver Amount or prepay the Term Loan at any time prior to the Maturity Date, if they (i) deliver a notice to Lender of their intentions at least ten (10) days prior to the proposed action, (ii) pay to Lender the applicable termination fee, reduction fee or prepayment fee set forth in Schedule 2.12, and (iii) pay the Obligations (other than the outstanding Hedge Obligations, which shall be paid in accordance with the applicable Hedge Agreement) in full or down to the reduced Maximum Revolver Amount or to the reduced amount of the Term Loan, as applicable. Any reduction in the Maximum Revolver Amount or Term Loan shall be in multiples of $100,000, with a minimum reduction of at least $1,000,000; provided that the aggregate amount of reductions in the Maximum Revolver Amount may not exceed $5,000,000. Each such termination, reduction or prepayment shall be irrevocable. Once reduced, the Maximum Revolver Amount may not be increased. Proceeds of Advances shall not be used by Borrowers to make a prepayment of the Term Loan.

(b) The applicable termination fee, reduction fee and prepayment fee set forth in Schedule 2.12 shall be presumed to be the amount of damages sustained by Lender as a result of an early termination, reduction or prepayment, as applicable and each Borrower agrees that it is reasonable under the circumstances currently existing (including the borrowings that are reasonably expected by Borrowers hereunder and the interest, fees and other charges that are reasonably expected to be received by Lender hereunder). In addition, Lender shall be entitled to such early termination fee upon the occurrence of any Event of Default described in Sections 9.4 and 9.5 hereof, even if Lender does not exercise its right to terminate this Agreement, but elects, at its option, to provide financing to Borrowers or permit the use of cash collateral during an Insolvency Proceeding. The early termination fee, reduction fee and prepayment fee, as applicable, provided for in Schedule 2.12 shall be deemed included in the Obligations."

1.09 Amendment to Section 6. Section 6 of the Credit Agreement is hereby amended by deleting Section 6.17 thereto in its entirety.

1.10 Amendment to Section 7.7(a)(ii). Section 7.7(a)(ii) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(ii) make any payment on account of the Seller Subordinated Debt other than Purchase Price Payments as and when required to be paid under the Purchase Agreement, solely to the extent that (a) no Default or Event of Default has occurred and is continuing or will occur as a result of or immediately following any such payment, (b) Borrowers are in compliance with the financial covenants set forth in Section 8 of this Agreement and will remain in compliance immediately following any such payment, (c) Borrowers shall have Liquidity at all times during the preceding thirty (30) day period of at least $25,000,000, (d) Borrowers shall have Liquidity of at least $25,000,000 after giving effect to such payment, (e) the aggregate amount of Purchase Price Payments made by Borrowers pursuant to the Purchase Agreement shall not exceed $2,000,000 and (f) such payments are otherwise permitted pursuant to the terms and conditions of the Seller Subordination Agreement; or"

1.11 Amendment to Section 7.7(b)(i). Section 7.7(b)(i) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(i) any agreement, instrument, document, indenture, or other writing evidencing or concerning Permitted Indebtedness other than (A) the Obligations in accordance with this Agreement, (B) Permitted Intercompany Advances, and (C) Indebtedness permitted under clauses (c), (e), (f) and (k) of the definition of Permitted Indebtedness;"

1.12 Amendment to Section 7.12(e). Section 7.12(e) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(e) Reserved."

1.13 Amendment to Section 7.13. Section 7.13 of the Credit Agreement is hereby amended by deleting the phrase "Tontine Subordinated Debt" therein and replacing it with "Seller Subordinated Debt" in lieu thereof.

1.14 Amendment to Section 7.14. Section 7.4 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"7.14 **Limitation on Issuance of Stock**. Except for the issuance or sale of common stock, Permitted Preferred Stock by a Borrower or other Loan Party, issue or sell or enter into any agreement or arrangement for the issuance and sale of any of their Stock."

1.15 Amendment to Section 8. Section 8 of the Credit Agreement is hereby amended by adding a new subsection (b) thereto to read as follows:

"(b) **Stop Loss**. IES Renewable will not suffer a Net Loss in excess of $1,000,000, during the one (1) year period beginning on the date the Permitted Acquisition is consummated."

1.16 Amendment to Schedule 1.1.

(a) Schedule 1.1 of the Credit Agreement is hereby amended by adding the following defined terms in the appropriate alphabetical order:

"'Collateral Assignment of Purchase Agreement' shall mean that certain Collateral Assignment of Purchase Agreement in form and substance entered into in connection with the Permitted Acquisition, by and among IES Residential, IES Renewable and Lender, as acknowledged and agreed to by certain other Persons party to the Purchase Agreement."

"'First Amendment Closing Date' means February 12, 2013."

"'IES Residential' means IES Residential Inc., a Delaware corporation."

"'IES Renewable' means IES Renewable Energy, LLC, a Delaware limited liability company."

"'Net Loss' means fiscal year-to-date after-tax net loss from continuing operations as determined in accordance with GAAP."

"'Permitted Acquisition' means the acquisition described in that certain letter agreement dated as of February 8, 2012 by and among Lender and the Loan Parties, to the extent permitted thereunder, and subject to the terms and conditions therein."

"Purchase Agreement' means the Purchase Agreement described in that certain letter agreement dated as of February 8, 2012 by and among Lender and the Loan Parties."

"'Purchase Price Payments' shall have the meaning set forth in the Purchase Agreement (as in effect on the First Amendment Closing Date).

"'Seller Subordinated Debt' shall mean the "Subordinated Indebtedness" as defined in the Seller Subordination Agreement."

"'Seller Subordination Agreement' shall mean that certain Subordination Agreement entered into in connection with the Permitted Acquisition in form and substance satisfactory to Lender in its sole and absolute discretion, as the same may be amended, amended and restated or otherwise modified from time to time."

"'Term Loan' has the meaning specified therefor in Section 2.2."

"'Term Loan Amount' means $5,000,000."

"'Term Loan Maturity Date' has the meaning specified therefor in Section 2.2."

(b) Schedule 1.1 of the Credit Agreement is hereby further amended by amending and restating the following defined terms in the appropriate alphabetical order:

"'Borrowers' means, jointly and severally, Parent; IES Commercial & Industrial, LLC, a Delaware limited liability company; IES Commercial, Inc., a Delaware corporation; IES Management, LP, a Texas limited partnership; IES Management ROO, LP, a Texas limited partnership; IES Purchasing & Materials, Inc., a Delaware corporation; IES Residential, Inc., a Delaware corporation; Integrated Electrical Finance, Inc., a Delaware corporation, IES Renewable Energy, LLC, a Delaware limited liability company and any other Person that becomes a Borrower pursuant to a joinder agreement entered into pursuant to Section 6.16 hereof."

"'Borrowing Base' means, as of any date of determination, the result of:

(a) the Accounts Availability Amount, *plus*:

(b) the lowest of

(i) $5,000,000,

(ii) 65% of the Value of Eligible Inventory, or

(iii) 85% *times* the most recently determined Net Liquidation Percentage times the Value of Eligible Inventory, *minus*

(c) the General Reserve, *minus*

(d) the Aged Payables Reserve, minus

(e) the aggregate amount of Reserves, if any, established by Lender, minus

(f) the outstanding principal balance of the Term Loan."

"'Credit Facility' means the Revolving Credit Facility and the Term Loan."

"'Interest Rate Margin' means,

(a) with respect to the Term Loan, 6.00 percentage points; and

(b) Otherwise, as of any date of determination (with respect to any portion of the outstanding Advances on such date), the applicable margin set forth in the following table that corresponds to the most recent Liquidity and Fixed Charge Coverage Ratio calculations delivered to Lender pursuant to Section 6.1 and accepted by Lender in its Permitted Discretion; provided, however, that (i) the Interest Rate Margin shall be the margin set forth below as "Level I" for the period from the Closing Date through the thirtieth (30th) day following the date of delivery to Lender of the Liquidity and Fixed Charge Coverage calculation delivered to Lender pursuant to Section 6.1 of the Agreement for the period ending February 28, 2013 and (ii) upon the occurrence and during the continuation of an Event of Default, shall be the margin set forth below as "Level I" until the next Interest Rate Margin Redetermination Date (as defined below).

Level	Liquidity/Excess Availability/Fixed Charge Coverage Ratio	Interest Rate Margin
I	If Liquidity is less than or equal to $20,000,000 at any time during such period OR Excess Availability is less than or equal to $7,500,000 at any time during such period OR Fixed Charge Coverage Ratio is less than 1.0 to 1.0	4.00 percentage points
II	If Liquidity is greater than $20,000,000 at all times during such period and less than or equal to $30,000,000 at any time during such period AND Excess Availability is greater than $7,500,000 at all times during such period AND Fixed Charge Coverage Ratio is 1.0 to 1.0 or greater	3.50 percentage points
III	If Liquidity is greater than $30,000,000 at all times during such period AND Excess Availability is greater than $7,500,000 at all times during such period AND Fixed Charge Coverage Ratio is 1.0 to 1.0 or greater	3.00 percentage points

Except as set forth in the foregoing proviso, the Interest Rate Margin shall be re-determined quarterly on the first Business Day of each calendar quarter (such date being the "Interest Rate Margin Redetermination Date") based upon the Liquidity and Fixed Charge Coverage Ratio for the immediately preceding calendar quarter. In the event that the information contained in any certificate delivered pursuant to Section 6.1 of the Agreement is shown to be inaccurate, and such inaccuracy, if corrected, would have led to the application of a higher Interest Rate Margin for any period than the Interest Rate Margin actually applied for such interest rate period, then (i) Borrowers shall immediately deliver to Lender a correct certificate for such period, (ii) the Interest Rate Margin shall be determined as if the correct Interest Rate Margin (as set forth in the table above) were applicable for such period, and (iii) Borrowers shall immediately deliver to Lender full payment in respect of the accrued additional interest as a result of such increased Interest Rate Margin for such interest rate period, which payment shall be promptly applied by Lender to the affected Obligations. In the event that the information contained in any certificate delivered pursuant to Section 6.1 of the Agreement reflects that an Event of Default existed as of the Interest Rate Margin Redetermination Date, (i) the Interest Rate Margin shall be determined as if the Interest Rate Margin set forth above as "Level I" were applicable as the first date of the existence of such Event of Default and (ii) Borrowers shall immediately deliver to Lender full payment in respect of the accrued additional interest as a result of such increased Interest Rate Margin for such interest rate period, which payment shall be promptly applied by Lender to the affected Obligations. In the event the Borrowers fail to timely deliver any certificate, report or other documentation necessary for determination of the Interest Rate Margin, the Interest Rate Margin shall be the margin set forth above as "Level I" from the date of such failure until the next Interest Rate Margin Redetermination Date."

"'Loan Documents' means this Agreement, any Borrowing Base Certificate, the Control Agreements, the Cash Management Documents, the Guaranty, the Federal Insurance and Liberty Mutual Intercreditor; the Chartis Intercreditor, the Letters of Credit, each Patent and Trademark Security Agreement, any Copyright Security Agreement, the Seller Subordination Agreement, the Collateral Assignment of Purchase Agreement, any note or notes executed by any Borrower in connection with this Agreement and payable to Lender, any Letter of Credit Applications and other Letter of Credit Agreements entered into by any Borrower in connection with this Agreement, and any other instrument or agreement entered into, now or in the future, by any Loan Party or any of its Subsidiaries and Lender in connection with this Agreement, but specifically excluding all Hedge Agreements."

"Maximum Revolver Amount' shall mean $30,000,000, less the outstanding principal balance of the Term Loan, less permanent reductions in such amount made in accordance with Section 2.11."

"'Obligations' means (a) all loans (including the Term Loan and the Advances), debts, principal, interest (including any interest that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), reimbursement or indemnification obligations with respect to Letters of Credit

(irrespective of whether contingent), premiums, liabilities (including all amounts charged to the Loan Account pursuant to this Agreement), obligations (including indemnification obligations), fees, Lender Expenses (including any fees or expenses that accrue after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), guaranties, and all covenants and duties of any other kind and description in each case owing by any Loan Party to Lender or its Affiliates or any Bank Product Provider or its Affiliates pursuant to or evidenced by this Agreement or any of the other Loan Documents and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, liquidated or unliquidated, determined or undetermined, voluntary or involuntary, due, not due or to become due, sole, joint, several or joint and several, incurred in the past or now existing or hereafter arising, however arising, and including all interest not paid when due, and all other expenses or other amounts that any Borrower or any other Loan Party is required to pay or reimburse by the Loan Documents or by law or otherwise in connection with the Loan Documents, and (b) all Bank Product Obligations. Any reference in this Agreement or in the Loan Documents to the Obligations shall include all or any portion thereof and any extensions, modifications, renewals, or alterations thereof, both prior and subsequent to any Insolvency Proceeding."

(c) The definition of "Eligible Accounts" in Schedule 1.1 of the Credit Agreement is hereby amending by amending and restating clause (w) thereto in its entirety to read as follows:

"(w) Accounts acquired in connection with the Permitted Acquisition, until the completion of an examination of such Accounts, in each case, reasonably satisfactory to Lender;"

(d) The definition of "Permitted Disposition" in Schedule 1.1 of the Credit Agreement is hereby amending by amending and restating clause (f) thereto in its entirety to read as follows:

"(f) Dispositions consisting of Accounts due to IES Residential that are waived, released and forgiven pursuant to and in accordance with the terms and conditions of the Purchase Agreement (as in effect on the First Amendment Closing Date);"

(e) The definition of "Permitted Indebtedness" in Schedule 1.1 of the Credit Agreement is hereby amending by amending and restating clause (h) thereto in its entirety to read as follows:

"(h) Indebtedness consisting of the Seller Subordinated Debt;"

(f) Schedule 1.1 of the Credit Agreement is hereby further amended by deleting the following definitions thereto in their entirety: "Tontine Lenders;" "Tontine Note;" "Tontine Subordinated Debt;" and "Tontine Subordinated Debt Documentation."

1.17 Amendment to Schedule 2.12. Schedule 2.12 of the Credit Agreement is hereby amended by amending and restating subsection (c) ("Termination and Reduction Fees") thereto in its entirety to read as follows:

> "'(c) Termination, Reduction and Prepayment Fees. If (i) Lender terminates the Revolving Credit Facility after the occurrence of an Event of Default, (ii) Borrowers terminate the Revolving Credit Facility on a date prior to the Maturity Date, (iii) Borrowers reduce the Maximum Revolver Amount or if Borrowers and Lender agree to reduce the Maximum Revolver Amount, or (iv) Borrowers prepay all or any portion of the Term Loan, then Borrowers shall pay Lender as liquidated damages (and not as a penalty) a termination, reduction, or prepayment fee in an amount equal to a percentage of the Maximum Credit in the case of a termination of the Revolving Credit Facility, a percentage of the amount of reduction of the Maximum Revolver Amount in the case of a reduction in the Maximum Revolver Amount or a percentage of the amount of prepayment of the Term Loan, as the case may be) calculated as follows: (A) two percent (2.00%) if the termination, reduction, or prepayment occurs on or before February 28, 2014 and (B) one percent (1.00%) if the termination, reduction, or prepayment occurs after February 28, 2014; provided, however, for the avoidance of doubt, no prepayment fee shall be due in connection with the payment of the final installment of the Term Loan on the Term Loan Maturity Date. If, with the consent of Lender (which consent may be withheld by Lender in its sole discretion), the Credit Facility is transferred to another Subsidiary or operating division of Lender within eighteen (18) months after the Closing Date, such transfer shall not be deemed a termination, reduction or prepayment resulting in the payment of termination reduction or prepayment fees provided that Borrowers agree, at the time of transfer, to the payment of comparable fees in an amount not less than that set forth in this Agreement in the event that any credit facilities extended after such transfer are thereafter terminated early, reduced or prepaid."

1.18 Amendment to Exhibit A. Exhibit A to the Credit Agreement is hereby amended and restated in its entirety in the form of Exhibit A attached hereto.

1.19 Amendment Exhibit E. Exhibit E to the Credit Agreement is hereby amended by amending Schedules 5.1(b) (solely with respect to the first page thereto), 5.7(b), 5.15, 5.17, 5.19, 5.29 and 5.33 thereto in the form of such schedules attached as Exhibit B hereto.

ARTICLE II
JOINDER, ASSUMPTION AND CONSENT

2.01 **Joinder to the Credit Agreement and Loan Documents**. New Borrower hereby joins in, assumes, adopts and becomes a co-borrower and a co-obligor with respect to all Obligations (irrespective of when such Obligations first arose) under the Credit Agreement and all of the other Loan Documents. Without limiting the foregoing, New Borrower hereby agrees to (i) all of the terms and conditions contained in the Credit Agreement and the other Loan Documents with the same legal effect as if it was an original signatory thereto, including, without limitation, (x) all of the representations and warranties of the Borrowers and all of the covenants, each as set forth in the Credit Agreement (y) the grant to Lenders of a continuing general lien upon, and security interest in, all of the Collateral in which New Borrower has rights as security for the Obligations as though it were an original signatory party to the Credit Agreement, and New Borrower authorizes Lender to file UCC financing statements to evidence the same, which financing statements may identify the Collateral as "all assets" or "all personal property" or words of like import and (z) the promises to pay all Obligations in full when due in accordance with the Credit Agreement and the other Loan Document. Further, New Borrower agrees that the Obligations are performable in accordance with their terms, without setoff, defense, counter-claim or claims in recoupment.

2.02 **Consent**. Each Existing Borrower, Guarantor and Lender consent to the joinder of New Borrower to the Credit Agreement and all of the other Loan Documents, as more fully described above.

ARTICLE III
NO WAIVER

3.01 **No Waiver**. Nothing contained in this Amendment shall be construed as a waiver by Lender of any covenant or provision of the Credit Agreement, the other Loan Documents, this Amendment, or of any other contract or instrument between any Loan Party and Lender, and the failure of Lender at any time or times hereafter to require strict performance by the Loan Parties of any provision thereof shall not waive, affect or diminish any right of Lender to thereafter demand strict compliance therewith. Lender hereby reserves all rights granted under the Credit Agreement, the other Loan Documents, this Amendment and any other contract or instrument between any Loan Party and Lender.

ARTICLE IV
CONDITIONS PRECEDENT

4.01 **Conditions to Effectiveness**. This Amendment shall become effective only upon the satisfaction in full, in a manner satisfactory to Lender, of the following conditions precedent (the first date upon which all such conditions have been satisfied being herein called the "Effective Date"):

(a) Lender shall have received the following documents or items, each in form and substance satisfactory to Lender and its legal counsel:

(i) a Term Note, duly executed by each Borrower;

(ii) an Amended and Restated Revolving Note, duly executed by each Borrower;

(iii) a Pledged Interest Addendum duly executed by IES Residential, together with the certificates representing the Pledged Interests for New Borrower and such other items required pursuant to Section 5.26(d) of Exhibit D to the Credit Agreement;

(iv) an opinion of each Loan Party's outside counsel;

(v) Lender shall have received a certificate from the Secretary of each Loan Party (i) attesting to the resolutions of such Loan Party's Board of Directors authorizing its execution, delivery, and performance of this Amendment and the other Loan Documents to which such Loan Party is a party, (ii) authorizing specific officers of such Loan Party to execute the same, (iii) attesting to the incumbency and signatures of such specific officers of such Loan Party, (iv) representing and warranting that such Loan Party's Governing Documents have not been amended or otherwise modified since August 9, 2012 (or attaching and attesting to any such amendments or modifications thereto as true, correct and complete as of the date thereof) and (v) attesting to a certificate of status with respect to each Loan Party, dated within 10 days of the First Amendment Closing Date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of each Loan Party, which certificate shall indicate that such Loan Party is in good standing in such jurisdiction;

(vi) a payoff letter executed by the Tontine Lenders with respect to the amount necessary to repay in full all of the Indebtedness of the Borrowers and their Subsidiaries owing to Tontine Lenders, which shall further include an obligation by Tontine to send Borrowers and Lender a written acknowledgment confirming such Indebtedness has been paid in full promptly upon receipt of all payoff funds;

(vii) a $200,000 commitment fee, paid in immediately available funds, which shall be deemed fully earned and non-refundable upon such receipt;

(viii) evidence that Borrowers shall have Excess Availability of at least $12,500,000 after giving effect to (a) the funding of the Term Loan hereunder, (b) the payment of all fees and expenses required to be paid by Borrowers on the First Amendment Closing Date under this Amendment and (c) the full and complete payment of all Tontine Subordinated Debt;

(ix) Lender shall have received evidence of a UCC-1 filing of financing statement with respect to New Borrower; and

(x) Lender shall have received all other documents Lender may reasonably request with respect to any matter relevant to this Amendment or the transactions contemplated hereby and Borrowers shall have paid Lender all Lender Expenses incurred prior to or in connection with the preparation of this Amendment.

(b) After giving effect to this Amendment, the representations and warranties made by each Loan Party contained herein and in the Credit Agreement, as amended hereby, and the other Loan Documents, shall be true and correct in all material respects as of the date hereof, as if those representations and warranties were made for the first time on such date.

(c) After giving effect to this Amendment, each Loan Party is in compliance with all applicable covenants and agreements contained in the Credit Agreement and the other Loan Documents.

(d) After giving effect to this Amendment, no Default or Event of Default shall exist under any of the Loan Documents (as amended hereby), and no Default or Event of Default will result under any of the Loan Documents from the execution, delivery or performance of this Amendment.

(e) All corporate and other proceedings, and all documents instruments and other legal matters in connection with the transactions contemplated by this Amendment shall be satisfactory in form and substance to Lender and its counsel.

(f) Lender shall have received final credit approval for the Credit Facility and the transactions described in this Amendment.

4.02 **Conditions Subsequent**. Borrowers shall cause the following conditions subsequent to be satisfied in full, in a manner satisfactory to Lender, on or before the date set forth below (the failure by the Borrowers to satisfy such conditions subsequent shall constitute an Event of Default under the Credit Agreement):

(a) Prior to 5:00 P.M. Central Standard Time on February 13, 2012, Lender shall have received the written confirmation from Tontine that all Indebtedness owing to Tontine has been paid in full;

(b) Prior to the earlier occur of (i) ten (10) days after the consummation of the Permitted Acquisition or (ii) February 28, 2013, Lender shall have received (x) updated disclosure schedules to the Credit Agreement approved by Lender and (y) an updated Information Certificate approved by Lender, in each case, reflecting the existence of New Borrower and, if applicable, the consummation of the Proposed Transaction, all of which shall automatically (and without further documentation) become and be deemed a part of the Credit Agreement.

(c) Prior to February 28, 2013, Lender shall have completed Patriot Act searches, OFAC/PEP searches and customary background checks with respect to New Borrower, the results of which shall be satisfactory to Lender; and

(d) Prior to March 8, 2013, Borrowers, Lender and Capital Premium Finance LLC shall have entered into a letter agreement in connection with Indebtedness owed by Borrowers to Capital Premium Finance LLC, in form and substance acceptable for such Indebtedness to constitute Permitted Insurance Premium Financing Indebtedness;

ARTICLE V
RATIFICATIONS, REPRESENTATIONS AND WARRANTIES

5.01 **Ratifications**. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Credit Agreement and the other Loan Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. The Loan Parties hereby agree that all liens and security interest securing payment of the Obligations under the Credit Agreement are hereby collectively renewed, ratified and brought forward as security for the payment and performance of the Obligations. The Loan Parties and Lender agree that the Credit Agreement and the other Loan Documents, as amended hereby, shall continue to be legal, valid, binding and enforceable in accordance with their respective terms.

5.02 **Representations and Warranties**. Each Loan Party hereby represents and warrants, jointly and severally, to Lender as of the date hereof as follows: (A) it is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (B) the execution, delivery and performance by it of this Amendment, the Credit Agreement and all other Loan Documents executed and/or delivered in connection herewith are within its powers, have been duly authorized, and do not contravene (i) its Governing Documents or (ii) any applicable law; (C) no consent, license, permit, approval or authorization of, or registration, filing or declaration with any governmental body or other Person, is required in connection with the execution, delivery, performance, validity or enforceability of this Amendment, the Credit Agreement or any of the other Loan Documents executed and/or delivered in connection herewith by or against it, except for those consents, approvals or authorizations which will have been duly obtained, made or compiled prior to the Effective Date and which are in full force and effect; (D) this Amendment, the Credit Agreement and all other Loan Documents executed and/or delivered in connection herewith have been duly executed and delivered by it; (E) this Amendment, the Credit Agreement and all other Loan Documents executed and/or delivered in connection herewith constitute its legal, valid and binding obligation enforceable against it in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity; (F) no Default or Event of Default exists, has occurred and is continuing or would result by the execution, delivery or performance of this Amendment; (G) each Loan Party is in compliance with all applicable covenants and agreements contained in the Credit Agreement and the other Loan Documents, as amended hereby; and (H) the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects on and as of the date hereof as though made on and as of each such date, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and complete on and as of such earlier date).

ARTICLE VI
MISCELLANEOUS PROVISIONS

6.01 **Survival of Representations and Warranties**. All representations and warranties made in the Credit Agreement or the other Loan Documents, including, without limitation, any document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by Lender shall affect the representations and warranties or the right of Lender to rely upon them.

6.02 **Reference to Credit Agreement**. Each of the Credit Agreement and the other Loan Documents, and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement, as amended hereby, are hereby amended so that any reference in the Credit Agreement and such other Loan Documents to the Credit Agreement shall mean a reference to the Credit Agreement as amended hereby.

6.03 **Expenses of Lender**. The Borrowers agree to pay on demand all reasonable costs and expenses incurred by Lender in connection with any and all amendments, modifications, and supplements to the other Loan Documents, including, without limitation, the reasonable costs and fees of Lender's legal counsel, and all costs and expenses incurred by Lender in connection with the enforcement or preservation of any rights under the Credit Agreement, as amended hereby, or any other Loan Documents, including, without, limitation, the costs and fees of Lender's legal counsel.

6.04 **Severability**. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

6.05 **Successors and Assigns**. This Amendment is binding upon and shall inure to the benefit of Lender and each Loan Party and their respective successors and assigns, except that no Loan Party may assign or transfer any of its respective rights or obligations hereunder without the prior written consent of Lender.

6.06 **Counterparts**. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

6.07 **Effect of Waiver**. No consent or waiver, express or implied, by Lender to or for any breach of or deviation from any covenant or condition by any Loan Party shall be deemed a consent to or waiver of any other breach of the same or any other covenant, condition or duty.

6.08 **Headings**. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

6.09 **Applicable Law**. THIS AMENDMENT AND ALL OTHER AGREEMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

6.10 **Final Agreement**. THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS, EACH AS AMENDED HEREBY, REPRESENT THE ENTIRE EXPRESSION OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF ON THE DATE THIS AMENDMENT IS EXECUTED. THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS AMENDED HEREBY, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NO MODIFICATION, RESCISSION, WAIVER, RELEASE OR AGREEMENT OF ANY PROVISION OF THIS AMENDMENT SHALL BE MADE, EXCEPT BY A WRITTEN AGREEMENT SIGNED BY THE BORROWERS AND LENDER.

6.11 **Release**. EACH LOAN PARTY HEREBY ACKNOWLEDGES THAT IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF ITS LIABILITY TO REPAY ANY LOANS OR EXTENSIONS OF CREDIT FROM LENDER TO THE BORROWERS UNDER THE CREDIT AGREEMENT OR THE OTHER LOAN DOCUMENTS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM LENDER. EACH LOAN PARTY HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES LENDER, ITS PREDECESSORS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH ANY LOAN PARTY MAY NOW OR HEREAFTER HAVE AGAINST LENDER, ITS PREDECESSORS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM ANY LOANS OR EXTENSIONS OF CREDIT FROM LENDER TO THE BORROWERS UNDER THE CREDIT AGREEMENT OR THE OTHER LOAN DOCUMENTS, INCLUDING, WITHOUT LIMITATION, ANY CONTRACTING FOR, CHARGING, TAKING, RESERVING, COLLECTING OR RECEIVING INTEREST IN EXCESS OF THE HIGHEST LAWFUL RATE APPLICABLE, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE CREDIT AGREEMENT OR LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT.

6.12 **Consent of Guarantor**. The undersigned Guarantors hereby (a) consent to the transactions contemplated by this Amendment; and (b) agree that the Credit Agreement and the other Loan Documents (as amended, restated, supplemented or otherwise modified from time to time) are and shall remain in full force and effect. Although each undersigned Guarantor has been informed of the matters set forth herein and has acknowledged and agreed to same, it understands that the Lender has no obligation to inform it of such matters in the future or to seek its acknowledgment or agreement to future amendments, and nothing herein shall create such a duty. Each of the undersigned acknowledges that its Guaranty is in full force and effect and ratifies the same, acknowledges that the undersigned has no defense, counterclaim, set-off or any other claim to diminish the undersigned's liability under such documents, that the undersigned's consent is not required to the effectiveness of the Credit Agreement and that no consent by it is required for the effectiveness of any future amendment, modification, forbearance or other action with respect to the Collateral, the Advances, the Term Loan, the Credit Agreement or any of the other Loan Documents.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of the date first above written.

NEW BORROWER:

IES RENEWABLE ENERGY, LLC

By: /s/ William E. Wilks, II
Name: William E. Wilks, II
Title: Vice President

EXISTING BORROWERS:

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: Senior Vice President

IES COMMERCIAL & INDUSTRIAL, LLC

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: President

IES COMMERCIAL, INC.

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: Vice President

IES PURCHASING & MATERIALS, INC.

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: President

IES RESIDENTIAL, INC.

By /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: Vice President

INTEGRATED ELECTRICAL FINANCE, INC.

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: President

IES MANAGEMENT, LP

By: INTEGRATED ELECTRICAL FINANCE, INC., its General Partner

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: President

IES MANAGEMENT ROO, LP

By: IES OPERATIONS GROUP, INC., its General Partner

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: President

GUARANTORS:

IES CONSOLIDATION, LLC

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: President

IES SHARED SERVICES, INC.

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: President

IES PROPERTIES, INC.

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: President

KEY ELECTRICAL SUPPLY, INC.

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: Vice President

IES TANGIBLE PROPERTIES, INC.

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: President

IES OPERATIONS GROUP, INC.

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: President

ICS HOLDINGS LLC

By: /s/ Robert W. Lewey
Name: Robert W. Lewey
Title: President

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Howard I. Handman
Name: Howard I. Handman
Title: Authorized Signatory

EXHIBIT A

FORM OF COMPLIANCE CERTIFICATE

[See Attached]

EXHIBIT B

AMENDMENTS TO INFORMATION CERTIFICATE SCHEDULES

[See Attached]

Exhibit 31.1

CERTIFICATION

I, James M. Lindstrom, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Integrated Electrical Services, Inc.;

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

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

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

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

Date: February 14, 2013

/s/ JAMES M. LINDSTROM
James M. Lindstrom
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Robert W. Lewey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Integrated Electrical Services, Inc.;

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

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

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

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

Date: February 14, 2013

/s/ ROBERT W. LEWEY
Robert W. Lewey
Senior Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with this Quarterly Report of Integrated Electrical Services, Inc. (the "Company") on Form 10-Q for the period ending December 31, 2012 (the "Report"), I, James M. Lindstrom, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2013

By: /s/ JAMES M. LINDSTROM
James M. Lindstrom
President and Chief Executive Officer

Exhibit 32.2

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

In connection with this Quarterly Report of Integrated Electrical Services, Inc. (the "Company") on Form 10-Q for the period ending December 31, 2012 (the "Report"), I, Robert W. Lewey, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2013

By: /s/ ROBERT W. LEWEY
Robert W. Lewey
Senior Vice President and Chief Financial Officer