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

FORM 8-K

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

Date of Report: May 7, 1999

Commission File No. 001-13783

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.)

515 Post Oak Boulevard
Suite 450
Houston, Texas 77027-9408
(Address of principal executive offices) (zip code)

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

ITEM 5. OTHER EVENTS

Integrated Electrical Services, Inc., a Delaware corporation (the "Company") is a leading national provider and consolidator of electrical contracting and maintenance services, focusing primarily on the commercial, industrial, residential, powerline and data communication markets. In order to comply with the disclosure requirements of the Securities and Exchange Commission regarding the financial statements of significant recently acquired subsidiaries who serve as guarantors of the Company's 9 3/8% Senior Subordinated Notes due 2009, the Company is filing this Current Report containing the following audited financial statements.

(a) Financial Statements of Significant Guarantor Subsidiaries
See Pages 1 through 23

INDEX TO FINANCIAL STATEMENTS OF SIGNIFICANT GUARANTOR SUBSIDIARIES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Mills Electrical Contractors, Inc.:

We have audited the accompanying consolidated balance sheets of Mills Electrical Contractors, Inc., a Texas corporation, and Subsidiary as of December 31, 1995 and 1996 and September 30, 1997, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1996 and for the year ended September 30, 1997 and for the period from October 1, 1997 through January 30, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mills Electrical Contractors, Inc. and Subsidiary as of December 31, 1995 and 1996 and September 30, 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 and for the year ended September 30, 1997 and for the period from October 1, 1997 through January 30, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
September 11, 1998

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31, 1995	DECEMBER 31, 1996	SEPTEMBER 30, 1997
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 1,808	$ 5,239	$ 833
Accounts receivable--			
Trade, net of allowance of $148, $252 and $353, respectively	6,251	10,121	13,137
Retainage, net of allowance of $20, $74, $42 and $42, respectively	796	2,669	1,621
Related parties	3	208	632
Other receivables	307	1,055	27
Inventories, net	69	49	93
Costs and estimated earnings in excess of billings on uncompleted contracts	131	329	1,584
Prepaid expenses and other current assets	29	118	120
Total current assets	9,394	19,788	18,047
PROPERTY AND EQUIPMENT, net	912	1,675	2,397
GOODWILL, net	--	180	173
OTHER ASSETS	340	394	443
Total assets	$ 10,646	$ 22,037	$ 21,060
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Line-of-Credit and current maturities of long-term debt	$ 131	$ 294	$ 643
Accounts payable and accrued expenses--			
Trade	4,439	8,886	7,672
Related parties	23	633	--
Billings in excess of costs and estimated earnings on uncompleted contracts.	1,746	4,523	1,966
Unearned revenue and other current liabilities	98	--	--
Total current liabilities	6,437	14,336	10,281
LONG-TERM DEBT, net of current maturities	260	333	169
MINORITY INTEREST	--	3	75
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Common stock, $1 par value, 1,000 shares authorized, 855 shares issued and 727 shares outstanding	1	1	1
Additional paid-in capital	175	175	175
Retained earnings	3,824	7,240	10,410
Treasury stock, 128 shares, at cost	(51)	(51)	(51)
Total stockholders' equity	3,949	7,365	10,535
Total liabilities and stockholders' equity	$ 10,646	$ 22,037	$ 21,060

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

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
REVENUES	$ 25,544	$ 35,250	$ 65,439	$ 43,684	$ 52,644
COST OF SERVICES (including depreciation and amortization)	20,937	27,372	50,535	33,998	44,035
Gross profit	4,607	7,878	14,904	9,686	8,609
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,391	4,741	7,643	3,837	4,972
Income (loss) from operations	1,216	3,137	7,261	5,849	3,637
OTHER INCOME (EXPENSE):					
Interest expense	(22)	(56)	(61)	(34)	(19)
Other	92	195	215	153	215
Other income (expense), net	70	139	154	119	196
INCOME (LOSS) BEFORE MINORITY INTEREST AND PROVISION FOR STATE INCOME TAXES	1,286	3,276	7,415	5,968	3,833
Minority interest in net (income) loss of subsidiary	--	--	(3)	(5)	--
INCOME (LOSS) BEFORE PROVISION FOR STATE INCOME TAXES	1,286	3,276	7,412	5,963	3,833
Provision for state income taxes	52	131	309	182	147
NET INCOME (LOSS)	$ 1,234	$ 3,145	$ 7,103	$ 5,781	$ 3,686

	YEAR ENDED SEPTEMBER 30, 1997	PERIOD FROM OCTOBER 1, 1997 THROUGH JANUARY 30, 1998
REVENUES	$ 74,399	$ 20,882
COST OF SERVICES (including depreciation and amortization)	60,572	16,244
Gross profit	13,827	4,638
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	8,778	5,385
Income (loss) from operations	5,049	(747)
OTHER INCOME (EXPENSE):		
Interest expense	(46)	(57)
Other	277	44
Other income (expense), net	231	(13)
INCOME (LOSS) BEFORE MINORITY INTEREST AND PROVISION FOR STATE INCOME TAXES	5,280	(760)
Minority interest in net (income) loss of subsidiary	2	--
INCOME (LOSS) BEFORE PROVISION FOR STATE INCOME TAXES	5,282	(760)
Provision for state income taxes	274	84
NET INCOME (LOSS)	$ 5,008	$ (844)

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

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ 1,234	$ 3,145	$ 7,103	$ 5,781	$ 3,686
Adjustments to reconcile net income To net cash provided by (used in) Operating activities --					
Depreciation and amortization	179	253	385	197	449
Loss (gain) on sale of property and equipment	(2)	--	(20)	(21)	5
Changes in operating assets and liabilities --					
(Increase) decrease in --					
Accounts receivable	(2,107)	(1,894)	(6,997)	(9,998)	(1,364)
Inventories, net	10	1	20	2	(45)
Costs and estimated earnings in excess of billings on uncompleted contracts	(402)	386	(198)	(307)	(1,255)
Prepaid expenses and other current assets	(46)	105	(89)	(149)	(2)
Increase (decrease) in --					
Accounts payable and accrued expenses	1,780	1,178	5,057	3,090	(1,846)
Billings in excess of costs and estimated earnings on uncompleted contracts	(353)	1,159	2,777	3,926	(2,556)
Unearned revenue and other current liabilities	--	98	(98)	(98)	--
Other, net	(64)	(29)	(52)	(130)	22
Net cash provided by (used in) operating activities	229	4,402	7,888	2,293	(2,906)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Increase in notes receivable	(12)	(291)	(75)	(75)	--
Collection of notes receivable	140	141	377	377	--
Proceeds from sale of property and equipment	8	15	44	44	8
Additions of property and equipment	(279)	(255)	(912)	(538)	(1,177)
Net cash used in investing activities	(143)	(390)	(566)	(192)	(1,169)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings of long-term debt	--	--	--	--	1,000
Payments of long-term debt	(19)	(136)	(204)	(117)	(815)
Distributions to stockholders	(147)	(2,216)	(3,687)	(426)	(516)
Sale of treasury stock	181	--	--	--	--
Net cash provided by (used in) financing activities	15	(2,352)	(3,891)	(543)	(331)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	101	1,660	3,431	1,558	(4,406)
CASH AND CASH EQUIVALENTS, beginning of Period	47	148	1,808	1,808	5,239
CASH AND CASH EQUIVALENTS, end of Period	$ 148	$ 1,808	$ 5,239	$ 3,366	$ 833
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid for --					
Interest	$ 22	$ 56	$ 61	$ 34	$ 19
Income Taxes	$ --	$ 55	$ 93	$ 93	$ 105

	YEAR ENDED SEPTEMBER 30, 1997	PERIOD FROM OCTOBER 1, 1997 THROUGH JANUARY 30, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 5,008	$ (844)
Adjustments to reconcile net income To net cash provided by (used in) Operating activities --		
Depreciation and amortization	637	245
Loss (gain) on sale of property and equipment	6	3
Changes in operating assets and liabilities --		
(Increase) decrease in --		
Accounts receivable	1,637	2,157
Inventories, net	(27)	47
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,146)	(319)
Prepaid expenses and other current assets	58	35
Increase (decrease) in --		
Accounts payable and accrued expenses	121	25
Billings in excess of costs and		

estimated earnings on uncompleted contracts..	(3,705)	415
Unearned revenue and other current liabilities.	--	--
Other, net	100	3
Net cash provided by (used in) operating activities	2,689	1,767
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in notes receivable	--	--
Collection of notes receivable	--	--
Proceeds from sale of property and equipment	8	5
Additions of property and equipment	(1,551)	(339)
Net cash used in investing activities	(1,543)	(334)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	1,000	7,569
Payments of long-term debt	(902)	(90)
Distributions to stockholders	(3,777)	(8,844)
		(2,216)
Sale of treasury stock	--	--
Net cash provided by (used in) financing activities	(3,679)	(1,365)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,533)	68
CASH AND CASH EQUIVALENTS, beginning of Period	3,366	833
CASH AND CASH EQUIVALENTS, end of Period	$ 833	$ 901
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for --		
Interest	$ 46	$ 48
Income Taxes	$ 105	$ --

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

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCE, December 31, 1993	855	$ 1	$ 11	$ 1,808	$ (68)	$ 1,752
Sale of 42 shares of treasury stock	--	--	164	--	17	181
Distributions to stockholders	--	--	--	(147)	--	(147)
Net income	--	--	--	1,234	--	1,234
BALANCE, December 31, 1994	855	1	175	2,895	(51)	3,020
Distributions to stockholders	--	--	--	(2,216)	--	(2,216)
Net income	--	--	--	3,145	--	3,145
BALANCE, December 31, 1995	855	1	175	3,824	(51)	3,949
Distributions to stockholders	--	--	--	(3,687)	--	(3,687)
Net income	--	--	--	7,103	--	7,103
BALANCE, December 31, 1996	855	1	175	7,240	(51)	7,365
Distributions to stockholders (Unaudited)	--	--	--	(516)	--	(516)
Net income (Unaudited)	--	--	--	3,686	--	3,686
BALANCE, September 30, 1997	855	1	175	10,410	(51)	10,535
Distributions to stockholders......	--	--	--	(8,844)	--	(8,844)
Net loss	--	--	--	(844)	--	(844)
BALANCE, January 30, 1998	855	$ 1	$ 175	$ 722	$ (51)	$ 847

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

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

The accompanying consolidated financial statements include the accounts of Mills Electrical Contractors, Inc. (Mills), a Texas corporation, and its 89% owned subsidiary, Fort Worth Regional Electrical Systems, L.L.C. (RES), a Texas limited liability company (collectively, the Company). The subsidiary was formed during 1996. In September 1997, Mills sold 10% of the capital stock of RES to an officer of RES at net book value per share resulting in proceeds to the Company of $71,000. Financial statements prior to 1996 reflect only the accounts of Mills. All significant intercompany transactions have been eliminated in consolidation.

The Company focuses on providing electrical system installation and repair services primarily for mid-sized to large commercial facilities as well as residential facilities. The Company performs the majority of its contract work under fixed price contracts, with contract terms generally ranging from 12 to 36 months. The Company performs the majority of its work in the Dallas-Fort Worth, Texas, area.

On January 30, 1998, concurrent with the closing of the initial public offerings in the United States and Canada and outside the United States and Canada (the Offerings) of additional common stock by Integrated Electrical Services, Inc. (IES), the Company was acquired by IES. All outstanding shares of the Company's common stock were exchanged for cash and shares of IES common stock. In addition, the key executives of the Company entered into employment agreements with the Company and IES which have an initial term of five years, and generally restrict the disclosure of confidential information as well as restrict competition with the Company and IES for a period of two years following termination of employment. The Company has changed from a calendar to a September fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Interim Financial Information

The interim consolidated financial statements for the nine months ended September 30, 1996 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

The financial statements for the period from October 1, 1997 through January 30, 1998 are presented for purposes of complying with certain reporting requirements of Securities and Exchange Commission's Staff Accounting Bulletin No. 80 and are not necessarily indicative of the results to be expected for the entire year.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Supplemental Cash Flow Information (in thousands)

The Company had the following noncash investing and financing activities for the years ended December 31, 1994, 1995, 1996 and September 1997 and the nine months ended September 30, 1996 and 1997 and the period from October 1, 1997 through January 30, 1998:

	1994	1995	1996	1997	YEAR ENDED SEPTEMBER 30, 1996 (UNAUDITED)	NINE MONTHS ENDED SEPTEMBER 30, 1997	PERIOD FROM OCTOBER 1, 1997 THROUGH JANUARY 30, 1998
Property acquired in capital lease transactions	$ 290	$ 195	$ 254	$ 17	$ 237	$ --	$ --
Goodwill recognized in purchase transactions	$ --	$ --	$ 185	$ --	$ 185	$ --	$ --

Inventories

Inventories consist of parts and supplies held for use in the ordinary course of business and are stated at the lower of cost, net of an allowance for obsolescence, or market using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation and amortization expense was $179,000, $253,000, $385,000, $637,000 and $245,000 for the years ended December 31, 1994, 1995 and 1996 and September 30, 1997 and for the period from October 1, 1997 through January 30, 1998, respectively.

In June 1996, RES agreed to purchase a business, consisting of equipment in a capital lease transaction and an agreement to lease a building under an operating lease, as well as the purchase of the rights to the name "Regional Electric Systems" from an individual who became an officer of RES. The acquired assets were recorded at their estimated fair market value using the purchase method of accounting. The transaction resulted in the recognition of goodwill of approximately $185,000 which is being amortized over a 20 year period.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. Such contracts generally provide that the customers accept completion of progress to date and compensate the Company for services rendered measured in terms of hours expensed or some other measure of progress. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools and repairs. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

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

Warranty Costs

For certain contracts, the Company warrants labor for the first year after installation of new electrical systems. The Company generally warrants labor for 30 days after servicing of existing electrical systems. A reserve for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

Accounts Receivable and Provision for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer probable and a general reserve based upon the total trade and retainage accounts receivable balances.

Income Taxes

The Company has elected S Corporation status as defined by the Internal Revenue Code, whereby the Company itself is not subject to taxation for federal purposes. Under S Corporation status, the stockholders report their share of the Company's taxable earnings or losses in their personal tax returns. Consequently, the accompanying consolidated financial statements of the Company include only a provision for state income taxes and do not include a provision for current or deferred federal income taxes. The Company intends to terminate its S Corporation status concurrently with the effective date of the Offerings.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Reference is made to the "Revenue Recognition" section of this footnote and Note 10 for discussion of significant estimates reflected in the Company's consolidated financial statements.

New Accounting Pronouncement

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. The effect of any impairment would be to expense the difference between the fair value of such property and its carrying value. Adoption of this standard did not have a material effect on the consolidated financial position or results of operations of the Company.

3. PROPERTY AND EQUIPMENT:

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

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1995	DECEMBER 31, 1996	SEPTEMBER 30, 1997
Transportation equipment	3-5	$ 788	$ 1,031	$ 1,346
Machinery and equipment	5	785	1,071	1,266
Leasehold improvements	5-10	170	330	421
Furniture and fixtures	5	591	901	1,439
Less -- Accumulated depreciation and amortization		(1,422)	(1,658)	(2,075)
Property and equipment, net		$ 912	$ 1,675	$ 2,397

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Activity in the Company's allowance for doubtful accounts receivable consists of the following (in thousands):

	YEAR ENDED			
	DECEMBER 31,			SEPTEMBER 30,
	1994	1995	1996	1997
Balance at beginning of period	$ 77	$ 128	$ 168	$ 432
Additions to/(reduction of) costs and expenses	51	40	158	(37)
Balance at end of period	$ 128	$ 168	$ 326	$ 395

Included as a component of other receivables at December 31, 1995, is a note receivable from a corporation of $291,000 with interest at 10 percent per annum. This note was collected during 1996.

Accounts payable and accrued expenses, trade consist of the following:

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
Accounts payable, trade	$2,236	$4,922	$6,275
Accrued compensation and benefits	1,608	3,423	1,017
Other accrued expenses	595	541	380
	$4,439	$8,886	$7,672

Electrical system installation contracts in progress are as follows:

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
Costs incurred on contracts in progress	$ 33,016	$ 55,954	$ 80,236
Estimated earnings, net of losses	7,090	15,879	16,534
	40,106	71,833	96,770
Less -- Billings to date	(41,721)	(76,027)	(97,152)
	$ (1,615)	$ (4,194)	$ (382)
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 131	$ 329	$ 1,584
Less -- Billings in excess of costs and estimated earnings on uncompleted	(1,746)	(4,523)	(1,966)
contracts	$ (1,615)	$ (4,194)	$ (382)

5. LINE-OF-CREDIT DEBT:

The Company has a $2,000,000 line-of-credit agreement with a bank to be drawn upon as needed, with variable interest at the bank's prime rate, as defined, secured by accounts receivable, furniture, fixtures and equipment, an assignment of a $500,000 life insurance policy on the president and the president's personal guaranty. In June 1997, the line-of-credit agreement was extended to June of 1999. At September 30, 1997, there was an outstanding draw against this line of credit in the amount of $400,000, which is due and payable within one year.

The line-of-credit agreement with the bank contains various covenants pertaining to working capital, certain financial ratios and net worth. At September 30, 1997, the Company was in compliance with all such covenants.

Long-Term Debt

Long-term debt consists primarily of capital leases for the purchase of vehicles and construction equipment as discussed in Note 6.

The Company has a term note payable with a bank, secured by a Company vehicle. The principal is payable monthly in the amount of $1,000 plus interest at 9.75 percent. At December 31, 1996 and September 30, 1997, a balance of $5,000 and $0 was due and payable within one year, respectively.

The Company has an obligation to a related party for the purchase of the rights to the name "Regional Electric Systems" requiring monthly payments of principal and interest, at 8.25 percent, of $6,000 through May 1999. At December 31, 1996 and September 30, 1997, a balance of $60,000 and $63,000 was due and payable within one year, respectively.

The maturities of the line of credit and long-term debt as of September 30, 1997, are as follows (in thousands):

Year ending September 30--	
1998	$ 643
1999	143
2000	26
	$ 812

6. LEASES:

Obligations Under Capital Leases

The Company leases certain vehicles and construction equipment under leases classified as capital leases. The construction equipment lease is with an officer of the Company. The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum lease payments as of September 30, 1997 (in thousands):

Year ending September 30--	
1998	$ 212
1999	103
2000	5
Total minimum lease payments	320
Less -- Amounts representing interest	17
Present value of minimum lease payments	$ 303

Operating Leases

The Company leases a building which is owned by the principal stockholder of the Company. The lease is classified as an operating lease and expires on October 31, 1997. The rent paid under this related-party lease was approximately $156,000, $156,000, $156,000 and $57,000 for the years ended December 31, 1995, 1996 and September 30, 1997 and for the period from October 1, 1997 through January 30, 1998, respectively. The Company also leases a building which is owned by an officer of the Company. This lease commenced during 1996. The lease is classified as an operating lease and expires on May 31, 1999. The Company has an option to renew the lease for one additional two-year term at a reduced lease rate. The rent paid under this related-party lease was approximately $60,000 for the year ended September 30, 1997. The Company also rents certain office equipment and warehouse space under several operating lease agreements which vary in length and terms. The rent paid under these lease agreements was approximately $8,000, $45,000, $49,000 and $20,000 for the years ended December 31, 1995, 1996 and September 30, 1997 and for the period from October 1, 1997 through January 30, 1998, respectively.

Future minimum lease payments under these noncancelable operating leases are as follows (in thousands):

Year Ended September 30--	
1998	$ 138
1999	67
2000	38
Thereafter	71
	$ 314

7. RELATED-PARTY TRANSACTIONS:

The Company has entered into operating and capital lease transactions with related parties as discussed in Note 6.

CIMA Services, Inc. (CIMA) and RES are related parties due to the ownership by the Company's president of 49% and 1%, respectively, of these companies' capital stock.

The related-party transactions and balances are as follows (in thousands):

	DECEMBER 31, 1995	DECEMBER 31, 1996	SEPTEMBER 30, 1997
Accounts receivable from CIMA	$ 2	$ 208	$ 632
Accounts receivable from sale of subsidiary stock	--	--	71
Interest receivable from CIMA and officer	1	--	--
Accounts payable to CIMA	23	633	--
Contract revenues from CIMA	1,116	1,257	1,368
Purchases of material from CIMA	812	1,080	2,062
Interest income received from CIMA and officers	38	14	1
Minority interest in net income of RES	--	3	(2)
Liability attributable to minority interest	--	3	75
Capital lease obligation to an officer of RES	--	116	82
Payments under capital lease obligation with an officer of RES	--	31	54
Payments under operating leases with officers of the Company	26	232	270

Contract revenues from CIMA were approximately $250,000 and payments under operating leases with officers of the Company were approximately $78,000 for the period from October 1, 1997 through January 30, 1998. Additionally, the Company has guaranteed an officer note at a bank with an outstanding balance of approximately $125,000 at September 30, 1997. The Company's property and equipment has been cross-pledged as collateral.

8. EMPLOYEE BENEFIT PLAN:

The Company has a defined contribution profit-sharing plan that covers all employees meeting certain age and service requirements. Company contributions to the plan are at the discretion of the board of directors. Contributions to the plan charged to operations in 1994, 1995, 1996 and the year ended September 30, 1997 and for the period from October 1, 1997 through January 30, 1998 were $186,000, $450,000, $789,000, $789,000 and $275,000, respectively.

9. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, a line of credit, notes payable and long-term debt. The Company believes that the carrying values of these instruments on the accompanying consolidated balance sheets approximates their fair values.

10. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's consolidated financial position or results of operations.

Insurance

The Company carries a broad range of insurance coverage, including workers' compensation, business auto liability, commercial general liability, property and an umbrella policy. The Company has not incurred significant uninsured losses on any of these items.

11. MAJOR CUSTOMERS AND RISK CONCENTRATION:

The Company had sales greater than 10 percent of total sales to three major customers (comprising approximately 20%, 12% and 11% of total sales), two major customers (comprising approximately 15% and 13% of total sales), two major customers (comprising approximately 20% and 18% of total sales) and one major customer (comprising approximately 32% of total sales) during the years ended December 31, 1994, 1995, 1996 and September 1997, respectively. The Company did not have sales greater than 10 percent of total sales to any one customer during the period from October 1, 1997 through January 30, 1998.

In addition, the Company grants credit, generally without collateral, to its customers, which are usually general contractors located primarily in the Dallas-Fort Worth, Texas area. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within the Dallas-Fort Worth, Texas, area. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

Cash and Cash Equivalents

The Company routinely maintains cash balances in financial institutions in excess of federally insured limits.

12. BACKCHARGE CLAIMS:

It is the Company's policy to recognize income from backcharge claims only when a definitive agreement has been reached and collection is reasonably assured. In December 1996, the Company reached a settlement on one of its backcharge claims related to prior periods for approximately $856,000 which is reflected in the accompanying consolidated statement of operations for the year ended December 31, 1996, as an increase in revenues and as a component of other receivables in the accompanying consolidated balance sheet at December 31, 1996. This amount was collected in 1997.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
DAVIS ELECTRICAL CONSTRUCTORS, INC.
Greenville, South Carolina

We have audited the accompanying balance sheet of DAVIS ELECTRICAL CONSTRUCTORS, INC. as of September 30, 1997 and 1996, and the related statements of income and retained earnings and cash flows for each of the three years in the period ended September 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DAVIS ELECTRICAL CONSTRUCTORS, INC. as of September 30, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 1997, in conformity with generally accepted accounting principles.

Elliott, Davis & Company, L.L.P.

Greenville, South Carolina
December 2, 1997

DAVIS ELECTRICAL CONSTRUCTORS, INC.
BALANCE SHEETS
(IN THOUSANDS EXCEPT SHARE DATA)

	SEPTEMBER 30, 1996	SEPTEMBER 30, 1997	JUNE 30, 1998 (UNAUDITED)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 5,338	$ 6,203	$ 3,652
Accounts receivable	14,139	11,079	10,240
Costs and estimated earnings in excess of billings on uncompleted contracts	581	769	2,459
Other assets	71	86	54
Total current assets	20,129	18,137	16,405
PROPERTY AND EQUIPMENT	1,496	1,320	1,171
OTHER ASSETS			
Cash value of life insurance	2,119	2,373	2,529
Deposit	393	771	771
Other assets	328	312	312
	2,840	3,456	3,612
	$ 24,465	$ 22,913	$ 21,188
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	$ 1,450	$ 872	$ 1,434
Dividends payable	2,598	3,572	--
Accrued salaries and wages	1,324	2,142	1,089
Billings in excess of costs and estimated earnings on uncompleted contracts	3,711	1,130	360
Accrued expenses and other liabilities	1,853	1,851	1,843
Total current liabilities	10,936	9,567	4,726
DEFERRED COMPENSATION	2,539	2,742	2,907
STOCKHOLDERS' EQUITY			
Common stock, par value $1 per share; authorized 500,000 shares; issued and outstanding 62,500 shares	62	62	62
Additional paid-in capital	130	130	130
Retained earnings	10,798	10,412	13,363
	10,990	10,604	13,555
	$ 24,465	$ 22,913	$ 21,188

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

DAVIS ELECTRICAL CONSTRUCTORS, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
(IN THOUSANDS)

	YEAR ENDED SEPTEMBER 30,			NINE MONTHS ENDED JUNE 30,	
	1995	1996	1997	1997	1998
					(UNAUDITED)
CONTRACT REVENUE EARNED	$ 81,065	$ 92,974	$ 100,020	$ 78,808	$ 64,756
COSTS OF EARNED REVENUE	69,003	76,923	82,101	64,982	56,653
Gross profit	12,062	16,051	17,919	13,826	8,103
GENERAL AND ADMINISTRATIVE EXPENSES	8,677	12,890	14,196	5,962	5,254
Income from operation	3,385	3,161	3,723	7,864	2,849
OTHER INCOME:					
Interest Income	49	166	290	179	102
Interest Expense	(24)	(22)	(2)	(1)	--
Pretax Income	3,410	3,305	4,011	8,042	2,951
INCOME TAX PROVISION (Note 9)	1,345	1,010	--	--	--
Net Income	2,065	2,295	4,011	8,042	2,951
RETAINED EARNINGS, BEGINNING OF YEAR	10,016	12,081	10,798	10,798	10,412
DIVIDENDS	--	(3,578)	(4,397)	(600)	--
RETAINED EARNINGS, END OF YEAR	$ 12,081	$ 10,798	$ 10,412	$ 18,240	$ 13,363

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

DAVIS ELECTRICAL CONSTRUCTORS, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED SEPTEMBER 30, 1995	1996	1997
OPERATING ACTIVITIES			
Net income	$ 2,065	$ 2,295	$ 4,011
Adjustments to reconcile net income to net cash provided by operating activities			
(Gain) loss on sale of equipment	(19)	(16)	29
Deferred tax	(270)	879	
Depreciation	466	590	532
Changes in deferred and accrued amounts			
Accounts receivable	(2,804)	332	3,061
Costs and estimated earnings in excess of billings on uncompleted contracts	(235)	1,053	(188)
Deposits	--	(393)	(378)
Other assets	26	(17)	--
Accounts payable	299	(1,084)	(578)
Dividends payable	--	--	(2,598)
Accrued salaries and wages	271	(591)	818
Billings in excess of costs and estimated earnings on uncompleted contracts	32	2,763	(2,581)
Accrued expenses and other liabilities	(120)	209	(2)
Income taxes	285	--	
Deferred compensation	713	188	203
Net cash provided by operating activities	709	6,208	2,329
INVESTING ACTIVITIES			
Proceeds from sale of equipment	20	15	18
Purchase of equipment	(857)	(526)	(403)
Increase in cash value of life insurance	(224)	(240)	(254)
Increase in investments and other assets	25	--	--
Net cash used for investing activities	(1,036)	(751)	(639)
FINANCING ACTIVITIES			
Payment of note payable	(200)	--	--
Dividends	--	(980)	(825)
Net cash used for financing activities	(200)	(980)	(825)
Net increase in cash and cash equivalents	(527)	4,477	865
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,388	861	5,338
CASH AND CASH EQUIVALENTS, END OF YEAR	861	5,338	6,203
CASH PAID FOR			
Interest	$ 24	$ 22	$ 2
Income taxes	$ 1,338	$ 365	$ --

	NINE MONTHS ENDED JUNE 30, 1997	1998
	(UNAUDITED)	
OPERATING ACTIVITIES		
Net income	$ 8,042	$ 2,951
Adjustments to reconcile net income to net cash provided by operating activities		
(Gain) loss on sale of equipment	--	--
Deferred tax		
Depreciation	266	267
Changes in deferred and accrued amounts		
Accounts receivable	3,033	839
Costs and estimated earnings in excess of billings on uncompleted contracts	(834)	(1,690)
Deposits	20	32
Other assets	(378)	--
Accounts payable	(937)	562
Dividends payable	(2,598)	(3,572)
Accrued salaries and wages	(183)	(1,053)
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,469)	(770)
Accrued expenses and other liabilities	221	(8)

Income taxes		
Deferred compensation	152	165
Net cash provided by operating activities	4,335	(2,277)
INVESTING ACTIVITIES		
Proceeds from sale of equipment	--	--
Purchase of equipment	(269)	(118)
Increase in cash value of life insurance	(166)	(156)
Increase in investments and other assets	--	--
Net cash used for investing activities	(435)	(274)
FINANCING ACTIVITIES		
Payment of note payable	--	--
Dividends	(600)	--
Net cash used for financing activities	(600)	--
Net increase in cash and cash equivalents	3,300	(2,551)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,338	6,203
CASH AND CASH EQUIVALENTS, END OF YEAR	8,638	3,652
CASH PAID FOR		
Interest	$ 1	$ --
Income taxes	$ --	$ --

NONCASH INVESTING AND FINANCING ACTIVITIES

The Company accrued $3,571,483 in 1997 and $2,598,000 in 1996, for dividends on common stock.

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

DAVIS ELECTRICAL CONSTRUCTORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

The Company is a national industrial electrical contractor. The Company extends credit to its customers who are concentrated primarily in the Southeastern region of the United States. The home office is located in Greenville, South Carolina with branch offices in Midland, Michigan operating as Davis Constructors Division and in Baton Rouge, Louisiana operating as Davis International Division.

In September, 1998, the Company and its stockholders entered into a definitive agreement with Integrated Electrical Services, Inc. (IES), pursuant to which all outstanding shares of Company's common stock was exchanged for cash and shares of IES common stock. In addition, the key executives of the Company entered into employment agreements with the Company and IES which have an initial term of three to five years, and generally restrict the disclosure of confidential information as well as restrict competition with the Company and IES for a period of two years following termination of employment.

Interim Financial Information

The interim financial statements for the nine months ended June 30, 1998 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Revenue And Cost Recognition

The Company reports contract revenues from firm-price and guaranteed maximum contracts on the percentage-of-completion method, measured by the percentage of costs incurred to date, to the total estimated costs for each contract. Revisions in contract revenues and cost estimates are reflected in the period in which the facts that require the revisions become known. Revenues from cost-plus-percentage and cost-plus-fixed fee contracts are reported as the costs are incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses become known.

Contract costs include all direct material, labor and sub-contract costs and those indirect costs related to contract performance, such as indirect labor, equipment repairs, equipment rent, tools and supplies. General and administrative costs are charged to expense as incurred.

Property And Equipment

Property and equipment, including permanent improvements to existing facilities, are carried at cost. Maintenance, repairs and other expenses not resulting in improvements are charged to expense as incurred. Depreciation is calculated using accelerated methods over the estimated useful lives of the respective assets.

Income Taxes

The Company, with the consent of its stockholders, has elected to be taxed as an S corporation effective October 1, 1995. Earnings and losses after that date are included in the personal income tax returns of the stockholders. Accordingly, the Company will not incur income tax obligations, and the financial statements will not include a provision for income taxes, except for provision of taxes in those states that do not recognize the S corporation election.

Cash And Cash Equivalents

For purposes of reporting cash flows, the Company considers all liquid, nonequity investments with an original maturity of three months or less to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the FDIC insurance limits.

Estimates

The financial statements include estimates and assumptions that affect the Company's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

NOTE 2 - ACCOUNTS RECEIVABLE

	SEPTEMBER 30	
	1996	1997
The following summarizes accounts receivable:		
Contract receivables	12,920	9,517
Contract retainages	1,081	1,432
Officers and employees	138	130
	14,139	11,079

NOTE 3 - CONTRACTS IN PROGRESS

	SEPTEMBER 30	
	1996	1997
The following summarizes uncompleted contracts:		
Firm price contracts		
Costs	$ 8,414	$ 23,159
Estimated earnings	2,127	6,322
	10,541	29,481
Less billings	14,118	30,213
	(3,577)	(732)
Unbilled costs on cost-plus contracts	447	371
	$ (3,130)	$ (361)
Included in current assets as:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 581	$ 769
Included in current liabilities as:		
Billings in excess of costs and estimated earnings on uncompleted contracts	3,711	1,130
	$ (3,130)	$ (361)

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at September 30 consists of the following:

	1996			1997		
	COST	ACCUMULATED DEPRECIATION	NET	COST	ACCUMULATED DEPRECIATION	NET
Automobiles and trucks	1,170	562	608	1,359	739	620
Construction and related equipment	2,260	1,594	666	2,357	1,828	529
Office furniture and equipment	795	612	183	818	689	129
Leasehold improvements	255	216	39	273	231	42
	4,480	2,984	1,496	4,807	3,487	1,320

=====	=====	=====	=====	=====	=====

NOTE 5 - NOTE PAYABLE

The Company has an unsecured $4,000,000 line of credit with a bank which is partially guaranteed by the majority stockholder of the Company with his guaranty limited to $2,000,000. The line bears interest at Libor plus 185 basis points and expires January 28, 1998. At September 30, 1997, $1,300,000 of the line has been used under letters of credit which expire March 1, 1998 and April 1, 1998, leaving $2,700,000 available for additional draws. At September 30, 1996, $1,250,000 of the line has been used under letters of credit which expire March 1, 1997 and April 1, 1997, leaving $2,750,000 available for additional draws. Letters of credit issued in connection with the lines of credit are secured by the cash surrender value of life insurance on the life of the majority stockholder of the Company. The provisions of the lines of credit contain various covenants requiring the Company to maintain certain ratios and to perform or not perform other actions. At September 30, 1997 and 1996, the Company was in compliance with these provisions.

NOTE 6 - ACCRUED EXPENSES AND OTHER LIABILITIES

	SEPTEMBER 30	
	1996	1997
Accrued expenses and other liabilities are summarized as follows:		
Payroll taxes withheld and accrued	$ 599	$ 655
Workers' compensation and general liability insurance	1,005	829
State sales and use tax	37	27
Other liabilities	212	340
	$1,853	$1,851

NOTE 7 - EMPLOYEE BENEFITS

The Company provides deferred compensation to key employees under the Davis Electrical Constructors, Inc. Incentive Plan. The plan provides for the award of units to participants that are equivalent in value to one share of the Company's stock at book value. Effective October 1, 1996, the Company elected to suspend the Davis Electrical Constructors, Inc. Incentive Plan. The effect of this election was to cease the appreciation in the book value of the unit as compared to the initial value per unit defined by the plan on the date of award. All other terms of the plan are still in effect. The present value of deferred compensation under the plan since inception is computed as follows:

	SEPTEMBER 30	
	1996	1997
Deferred compensation from appreciation of units awarded to participants	$5,277	$5,277
Discounted at 8 percent for the time value of money until the dates of estimated future payouts	2,738	$2,535
Present value of deferred compensation	$2,539	$2,742

For the years ended September 30, 1997 and 1996, $203,550 and $188,047 was charged to operations under the Plan, respectively. The compensation deferred under the plan is currently 60 percent vested to the participants. Vesting under the plan begins after the fifth year of participation and increases twenty percent per year until fully vested. Provisions for full vesting of benefits under the plan are also provided upon the death or disability of the participant, termination of the plan and certain other events related to the majority stockholder.

The participants shall receive payment of plan benefits upon termination of employment or upon specific actions by the board of directors. Upon termination of a participant's employment, the participant shall receive payment of the value of his share units over such period of time (not to exceed ten years) as the board shall determine in its absolute discretion.

The Company also provides an executive bonus plan whereby the Company shall pay bonuses for each fiscal year to each identified executive in an amount equal to a specified percentage of Company's net profits for such fiscal year.

NOTE 8 - LEASE COMMITMENTS

At September 30, 1997 and 1996, the Company was obligated under several non-cancelable operating leases on certain property and equipment that had an initial or remaining term of more than one year. Lease payments charged to operations under such leases were approximately $551,745 for the year ended September 30, 1997 and $558,000 for the year ended September 30, 1996, respectively. Future minimum lease payments under such operating leases that have initial or non-cancelable terms in excess of one year are as follows:

	SEPTEMBER 30, 1997
1998	371
1999	167
2000	138
2001	90
2002 and thereafter	315
	1,081

NOTE 9 - INCOME TAXES

The provision for income taxes for the year ended September 30, 1996 and 1995 consists of the following components:

	1995	1996
State income taxes currently payable	$ 1,615	$ 132
Deferred tax benefit	(270)	--
Reversal of prior years' deferred tax asset	--	878
Total	$ 1,345	$ 1,010

As discussed in Note 1, the Company has elected S corporation status effective as of October 1, 1995. Accordingly, the deferred tax asset of $878,593 as of the date the election for the change was filed has been eliminated through the deferred tax provision.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Company is self insured on major medical coverage which it provides to its employees. Specific and aggregate excess reinsurance is carried by the Company to limit potential costs under the self insured plan. Amounts due for claims submitted by covered employees and the related charges to operations are accounted for in the period the underlying occurrence or incident for the claim occurs. Claims payable are processed by an administrator designated by the Company.

The Company is insured for workers compensation claims in certain states under policies with high deductible provisions generally totaling $250,000 per incident. Specific and aggregate excess reinsurance is carried by the Company to limit potential costs.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Company leases offices, warehouses and certain equipment from stockholders and partnerships in which the stockholders are partners. For the years ended September 30, 1997 and 1996, approximately $630,556 and $422,000 was charged to operations under such operating leases, respectively.

NOTE 12 - MAJOR CUSTOMERS AND RISK CONCENTRATION

The Company had sales of approximately 27.9 percent of total sales to two major customers during 1997. In addition, the Company grants credit, generally without collateral, to its customers, which are general contractors in the industrial construction markets. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within the industrial construction markets. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

ITEM 7. EXHIBITS

(C) EXHIBITS

23.1 Consent of Arthur Andersen, LLP
23.2 Consent of Elliott, Davis & Company, LLP

SIGNATURES

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

INTEGRATED ELECTRICAL SERVICES, INC.
By: /s/ JOHN F. WOMBWELL
JOHN F. WOMBWELL
SENIOR VICE PRESIDENT
AND GENERAL COUNSEL

Dated: May 6, 1999

EXHIBIT INDEX

23.1 Consent of Arthur Andersen, LLP
23.2 Consent of Elliott, Davis & Company, LLP

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report on the financial statements of Mills Electrical Contractors, Inc. dated September 11, 1998 in this Current Report on Form 8-K of Integrated Electrical Services, Inc. and to the incorporation by reference of said report into Integrated Electrical Services, Inc.'s previously filed Registration Statements on Form S-8 (File Nos. 333-67113, 333-45447 and 333-45449) and on the previously filed post effective amendment No. 5 to Form S-1 on Form S-4 (File No. 333-50031).

/s/ ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP

Houston, Texas
MAY 6, 1999

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

AS INDEPENDENT PUBLIC ACCOUNTANTS, WE HEREBY CONSENT TO THE INCORPORATION OF OUR REPORT, DATED DECEMBER 2, 1997, ON THE FINANCIAL STATEMENTS OF DAVIS ELECTRICAL CONSTRUCTORS, INC. INCLUDED IN THIS FORM 8-K, INTO INTEGRATED ELECTRICAL SERVICES, INC.'S PREVIOUSLY FILED REGISTRATION STATEMENTS ON FORM S-8 (FILE NOS. 333-67113, 333-45447 AND 333-45449), AND ON PREVIOUSLY FILED POST EFFECTIVE AMENDMENT NO. 5 TO FORM S-1 ON FORM S-4 (FILE NO. 333-50031).

ELLIOTT, DAVIS & COMPANY, L.L.P.
GREENVILLE, SOUTH CAROLINA
MAY 5, 1999