
**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 (Date of earliest event reported):
December 10, 2008**

INTEGRATED ELECTRICAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

001-13783
(Commission
File Number)

76-0542208
(IRS Employer
Identification No.)

1800 West Loop South, Suite 500
Houston, Texas
(Address of principal
executive offices)

77027
(Zip Code)

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

(Former name or former address, if changed since last report): Not applicable

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) On December 10, 2008, the Human Resources and Compensation Committee (the “Committee”) of the Board of Directors of Integrated Electrical Services, Inc. (the “Company”) took the following actions relating to compensatory arrangements for the Named Executive Officers and certain additional officers.

It is the Committee’s current intention that it will only grant up to 1.25 percent of the Company’s outstanding common stock in any one year for retention and incentive awards and may utilize cash or other compensatory arrangements for these purposes. The Committee granted a combination of shares of restricted common stock (the “Restricted Stock”) under the Company’s 2006 Amended and Restated Equity Incentive Plan and a potential cash bonus dependent upon the Company’s performance over the Fiscal 2009-2010 time period (the “Long Term Incentive Program”).

Messrs. Michael J. Caliel, Raymond K. Guba, and Robert B. Callahan received 40,800, 22,500, and 11,300 shares of Restricted Stock, respectively, which vests on September 30, 2011 and additional officers received an aggregate 91,400 shares of Restricted Stock which vest on the same date. In addition, the Committee authorized a cash bonus equal to 87.5 percent of Mr. Caliel’s annual base salary and cash bonuses of 75 percent and 62.5 percent of the annual base salaries of Messrs. Guba and Callahan or \$495,714, \$273,675, and \$137,479 respectively. The Committee authorized an aggregate amount of \$1,113,037 for additional officers. The payment of these cash bonuses is contingent upon the Company’s attainment of target earnings per share (“EPS”) over the time period from October 1, 2008 through September 30, 2010 and would be payable, to the extent earned, on September 30, 2011. It is anticipated that the EPS targets, which are derived from the Company’s operating plan, a proprietary document which outlines the Company’s operational strategies for competing in the highly competitive electrical contracting industry, will be a challenge to achieve in light of the anticipated difficult 2009-2010 economic climate. The disclosure of the actual targets would provide earnings guidance, which the Company does not do. Failure to meet a minimum threshold of 75 percent of the target EPS would result in no payment and exceeding the target EPS would result in up to 200 percent payment. In December 2007, Mr. Curt L. Warnock informed the Company of his intent to resign his position following the Company’s successful search and selection of a new General Counsel. Mr. Warnock’s resignation will not be effective until such time as his successor is appointed. In light of this decision, Mr. Warnock did not receive a grant under the program.

The Committee also approved the Fiscal Year 2009 Annual Management Incentive Plan (the “Management Incentive Plan”). The Management Incentive Plan provides an incentive compensation pool for certain key employees and officers of the Company and is based upon the Company’s achievement of its annual operating income and cash flow targets. These targets are developed as an integral part of the Company’s operating plan discussed above.

Pursuant to the Management Incentive Plan, Messrs. Caliel, Guba, Warnock and Callahan are eligible to receive a target payout of 100 percent, 75 percent, 50 percent and 50 percent respectively, of the amount of their annual base salary in cash. Failure to reach 90 percent of the target amount will result in no payout while achieving 120 percent of the target

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amount will result in a doubling of the payout. At the Committee's discretion, the final awards are subject to adjustment downward or upward in amounts not to exceed 25 percent of the award based upon the individual's performance considerations. The performance review of Mr. Caliel is based on the attainment of individual goals and objectives established for Mr. Caliel as discussed below. The other Named Executive Officers will be reviewed based upon their performance in assisting Mr. Caliel in his efforts. The Committee has the sole discretion to increase or decrease the annual incentive award made to the Chief Executive Officer. The Committee has the right, in its absolute discretion, to reduce or eliminate the amount otherwise payable based upon individual performance or any other factors the Committee deems appropriate.

Pursuant to the Management Incentive Plan and the Fiscal Year 2008 Annual Management Incentive Plan, a minimum threshold performance of 90 percent against the performance targets must be attained before any incentive award is payable. During Fiscal Year 2008, the Company realized annual operating income which was 65.6 percent below the threshold requirement to earn an incentive payment for this component. In addition, the Company realized operating cash flow which was 22.9 percent below the threshold requirement to earn an incentive payment for this component. As a result, no incentive payments were made in 2008 pursuant to the Fiscal Year 2008 Annual Management Incentive Plan.

Although the minimum goals of the Fiscal Year 2008 Annual Management Incentive Plan were not met, in consideration of the Company's significant year-to-year ongoing improvement in achievement of strategic and financial objectives and Mr. Caliel's leadership role in the elimination of approximately \$18 million of SG&A expense, restructuring of the business and enhancing the leadership team by hiring and retaining key personnel, the Committee authorized a discretionary incentive payment to Mr. Caliel equal to 50 percent of his annual target which resulted in the payment of \$283,500. Mr. Guba received a discretionary payment equal to 50 percent of his annual target for his significant contribution to restructuring and cost reduction, measurable progress in enhancing systems and controls, upgrading financial leadership and overall financial position of the business resulting in a payment of \$136,875. Mr. Warnock received a discretionary payment equal to 25 percent of his annual target for measurable progress in enhancing the contract management process resulting in a payment of \$29,000. Finally, Mr. Callahan received a discretionary payment equal to 40 percent of his annual target for measurable progress in implementing leadership development, outsourcing payroll, recruiting key talent and driving enhancements to the Company's benefit plans while achieving significant cost reductions resulting in a payment of \$44,000.

The Committee approved a 7.6 percent base salary increase for Mr. Caliel to maintain his base salary at the approximate median of the survey group and for his efforts on eliminating approximately \$18 million of SG&A expense as well as restructuring of the business. Effective January 1, 2009 Mr. Caliel's base salary will increase to \$610,000. At the recommendation of Mr. Caliel, the Committee also approved a 8.2 percent increase in Mr. Guba's base salary. The role and responsibilities of Mr. Guba have been expanded in FY 2009 to include responsibility for the Company's supply chain and he was appointed Executive Vice President, Chief Financial and Administrative Officer effective January 1, 2009. Based upon this additional responsibility and Mr. Guba's strong performance in fiscal year 2008 leading the corporate SG&A

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consolidation and restructuring of the Company's business, the Committee approved a salary increase to \$395,000. Messrs. Warnock and Callahan each received increases in base salary of approximately 4.4 percent reflecting market inflation rates for their executive positions. Messrs. Warnock and Callahan's base salaries will be \$242,000 and \$230,000 respectively. All base salary increases are effective January 1, 2009.

Finally, the Committee established the goals and objectives upon which Mr. Caliel will be evaluated in fiscal year 2009. These goals include a reduction in the Company's safety total recordable incident rate and continuing efforts to strengthen the safety culture, the achievement of EPS goals, the achievement of revenue growth targets and an overall recruiting and retention of high potential employees and key talent while setting the tone at the top of the Company. These goals are based upon the Company's 2009 operating plan discussed above. The other Named Executive Officers will be evaluated on their contribution towards achievement of the above goals plus achievement of 2 to 3 individual goals set during the annual performance review process.

The foregoing descriptions of the Long-Term Incentive Program performance payout schedule and the Management Incentive Plan performance criteria are qualified in their entirety by reference to the descriptions of the payout schedule and performance criteria which are appended to the Program and Plan and which are hereby incorporated by reference and attached hereto as Exhibits 10.1 and 10.2.

Item 8.01 Other Events

Director Joseph V. Lash, who previously had waived receipt of fees and retainers, has now agreed to receive such payments beginning with the start of Fiscal Year 2009 on October 1, 2008.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--|
| 10.1 | Long Term Incentive Program Performance Payout Schedule for FY 2009-2010 |
| 10.2 | Management Incentive Plan 2009 Performance Criteria |

SIGNATURES

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

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ Curt L. Warnock

Curt L. Warnock

Senior Vice President and General Counsel

Date: December 12, 2008

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--|
| 10.1 | Long Term Incentive Program Performance Payout Schedule for FY 2009-2010 |
| 10.2 | Management Incentive Plan 2009 Performance Criteria |



EXHIBIT #1
LONG TERM INCENTIVE PROGRAM
PAYOUT SCHEDULE ¹

| Corporate Performance Against EPS Target For the Performance Period | LTIP Incentive Plan Multiplier |
|---|-----------------------------------|
| <75% | 0.00% |
| 75% | 50.00% |
| 80% | 60.00% |
| 85% | 70.00% |
| 90% | 80.00% |
| 95% | 90.00% |
| 100% | 100.00% |
| 105% | 112.50% |
| 110% | 125.00% |
| 115% | 137.50% |
| 120% | 150.00% |
| 125% | 162.50% |
| 130% | 175.00% |
| 135% | 187.50% |
| 140% > | 200.00% |

¹ Percent of participant's targeted annual LTIP awarded will be interpolated on a straight line basis for EPS performance between threshold and maximum.

**APPENDIX A****ANNUAL INCENTIVE PLAN
FISCAL 2009 PERFORMANCE CRITERIA**

This document sets forth the Performance Criteria established by the Board of Directors for Integrated Electrical Services' Annual Management Incentive Plan (hereinafter "Plan") for Fiscal 2009.

I. PERFORMANCE CRITERIA

The Board has established the following Performance Criteria for Fiscal 2009 from which Awards under this Plan shall be made pursuant to the Annual Management Incentive Plan Document:

- Annual Operating Income

Under the Plan, Participants are assigned an incentive award target expressed as a percent of their annual base salary. Based upon performance against pre-determined Performance Criteria, participants may earn a range of incentive award payouts relative to their target. A minimum threshold performance of 90% against the pre-determined Performance Criteria target must be achieved before any incentive is payable under the Plan.

II. INCENTIVE AWARD CALCULATIONS

- A. Corporate Support Services. Awards under the Plan for Corporate Support Services will be weighted 100% on Corporate performance and calculated based upon three factors:
1. Corporate Performance. Achievement of the Company's annual operating plan target for each Performance Criteria. There will be a Threshold Performance level for each Performance Criteria below which no award will be earned, and Maximum Performance level in all categories beyond which no additional award will be earned. A participant's annual incentive award will be increased or decreased based on corporate performance against predetermined performance criteria (refer to Exhibit A).
 - a) Threshold Award: The lowest award level paid, 50% of a Participant's annual incentive target, is paid for the lowest performance level (90%) eligible for an award under the Plan.
 - b) Target Award: The award to be paid for 100% attainment of the Performance Goal.
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c) Maximum Award: The Maximum award under the plan is 200% of a Participant's annual incentive target.

2. Individual Performance. Attainment of individual goals and objectives established for the Participant during the plan year. Two to three individual goals will be set and weighted for each Participant during the plan year. The CEO will establish individual goals and weightings for Section 16 Participants subject to review and ratification by the Committee.

The Committee may in its sole discretion make downward or upwards adjustments to Awards based on "Individual Performance" considerations. The amount of the adjustment may not be increased or decreased by an amount exceeding 50% of the proposed incentive award. Discretionary adjustments may also be made for leadership behaviors that significantly impact strategic and operational initiatives of the Company; people development, and other factors as determined by the Company. Discretionary adjustments made to Plan participants, excluding the CEO, may not result in a net increase in Plan funding. The Committee shall have sole discretion to increase or decrease the annual incentive award made to the CEO.

3. Plan Modifiers. The final component in determining individual incentive awards under the Plan is the achievement of the Company's annual operating cash flow target and safety performance. One-half of a Participant's Annual incentive award will be modified based on the Company's achievement of the annual operating cash flow target (see Exhibit B) and the remaining one-half of the Participants Annual Incentive Award will be modified based on the Company's Safety Performance Index ("SPI") score (refer to Exhibit C).

- B. Group Support Services. Awards under the Plan for Group Support Services will be calculated based upon the same three factors above. However, incentive awards for Group Vice Presidents and other Group Support Services shall be weighted 50% on achievement of Corporate performance and 50% on Group performance. A Group participant may earn an incentive award based on achievement of Group performance targets, Corporate performance targets, or both.

III. PAYMENT OF AWARDS

Participants will receive an annual cash incentive award paid as soon as administratively possible after the Committee determines the amount of any such bonus to be awarded under the Plan.

EXHIBIT A
THRESHOLD, TARGET & MAXIMUM AWARD LEVELS

| Percent of Performance Goal Achieved | Percent of Target Award Received |
|--|--|
| 90% | 50.00% |
| 91% | 55.00% |
| 92% | 60.00% |
| 93% | 65.00% |
| 94% | 70.00% |
| 95% | 75.00% |
| 96% | 80.00% |
| 97% | 85.00% |
| 98% | 90.00% |
| 99% | 95.00% |
| 100% | 100.00% |
| 101% | 105.00% |
| 102% | 110.00% |
| 103% | 115.00% |
| 104% | 120.00% |
| 105% | 125.00% |
| 106% | 130.00% |
| 107% | 135.00% |
| 108% | 140.00% |
| 109% | 145.00% |
| 110% | 150.00% |
| 111% | 155.00% |
| 112% | 160.00% |
| 113% | 165.00% |
| 114% | 170.00% |
| 115% | 175.00% |
| 116% | 180.00% |
| 117% | 185.00% |
| 118% | 190.00% |
| 119% | 195.00% |
| 120% | 200.00% |

EXHIBIT B
OPERATING CASH FLOW MODIFIER

| Percent of Group Cash Flow Target Achieved | Cash Flow Modifier |
|--|-----------------------|
| 120.0% and Above | 120.00% |
| 115.0 — 119.99% | 115.00% |
| 110.0 — 114.99% | 110.00% |
| 105.0 — 109.99% | 105.00% |
| 100.0 — 104.99% | 100.00% |
| 95.0 — 99.99% | 95.00% |
| 90.0 — 94.99% | 90.00% |
| 85.0 — 85.99% | 80.00% |
| 80.0 — 84.99% | 70.00% |
| 75.0 — 79.99% | 60.00% |
| Below 70% | 0% |

**EXHIBIT C
SAFETY MODIFIER**

| Safety Performance Index (SPI Score) | Safety Modifier |
|---|----------------------------|
| 9.00 — 10 | 110% |
| 8.50 — 9.99 | 105% |
| 8.00 — 8.49 | 100% |
| 7.50 — 7.99 | 90% |
| 7.00 — 7.49 | 80% |
| 6.50 — 6.99 | 70% |
| 6.00 — 6.49 | 60% |
| 5.00 — 5.99 | 50% |
| 4.9 and Below | 0.0% |