

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
(State or other jurisdiction of
incorporation or organization)

76-0542208
(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 2. ACQUISITION OR DISPOSITION OF ASSETS

On April 29, 1999, Integrated Electrical Services, Inc. (the "Company") consummated the acquisition of all of the issued and outstanding capital stock of Putzel Acquisition Corporation, Putzel Electrical Contractors, Inc. and Morris Putzel, the sole stockholder (collectively, the "Significant Acquisition"). The Significant Acquisition performs electrical contracting in the Southeast United States. The consideration paid by the Company for the Significant Acquisition was determined through negotiations between representatives of the Company and the owners of the Significant Acquisition and consisted of an aggregate of 589,060 shares of common stock of the Company and approximately \$10.5 million in cash. The cash portion of the consideration paid for the Significant Acquisition was funded through proceeds from the Company's offering of \$150.0 million Senior Subordinated Notes on January 25, 1999. The Company intends to continue using the assets of the Significant Acquisition in the electrical contracting business.

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 connection with its business acquisitions, the Company plans to offer shares of the Company's Common Stock, \$.01 par value per share (the "Common Stock") pursuant to its Registration Statement on Form S-1 (Registration No. 333-45479). In order to comply with the disclosure requirements of the Securities and Exchange Commission regarding the financial statements of businesses acquired or to be acquired, the Company is filing this Current Report containing the following audited and pro forma financial statements.

- (a) Pro Forma Financial Information
See Pages 2 through 7
- (b) Financial Statements of Businesses Acquired
See Pages 8 through 40

INTEGRATED ELECTRICAL SERVICES, INC.

UNAUDITED PRO FORMA FINANCIAL STATEMENTS
BASIS OF PRESENTATION

The unaudited pro forma balance sheet reflects the acquisitions by Integrated Electrical Services, Inc. ("IES"), of Rockwell Electric, Inc., Canova Electrical Contracting, Inc. and Linemen, Inc. dba California Communications (collectively, the "Acquisitions") which were acquired subsequent to December 31, 1998, as if they had occurred on December 31, 1998. The unaudited pro forma statements of operations present the statement of operations data give effect to the Acquisitions and the related pro forma adjustments as if they had occurred on October 1, 1997.

IES has analyzed the savings that it expects to realize from reductions in salaries, bonuses and certain benefits to the owners. To the extent the owners of the Acquisitions have contractually agreed to changes in salary, bonuses, benefits and lease payments, these changes have been reflected in the unaudited pro forma combined statement of operations.

Certain pro forma adjustments are based on preliminary estimates, available information and certain assumptions that Company management deems appropriate and may be revised as additional information becomes available. The pro forma financial data do not purport to represent what IES's combined financial position or results of operations would actually have been if such transactions in fact had occurred on these dates and are not necessarily representative of IES's combined financial position or results of operations for any future period. Since the acquired entities were not under common control or management prior to their acquisitions by IES, historical combined results may not be comparable to, or indicative of, future performance. The unaudited pro forma financial statements should be read in conjunction with the historical consolidated financial statements and notes thereto included in the company's Annual Report for the year ended September 30, 1998 filed on Form 10-K. See also "Risk Factors" included elsewhere therein.

INTEGRATED ELECTRICAL SERVICES, INC.

UNAUDITED PRO FORMA BALANCE SHEET
DECEMBER 31, 1998
(IN THOUSANDS)

	IES AND SUBSIDIARIES	ACQUISITIONS	PRO FORMA ADJUSTMENTS	PRO FORMA AS ADJUSTED
	-----	-----	-----	-----
ASSETS				
CURRENT ASSETS:				
Cash.....	\$ 4,044	\$ 301	\$ (301)	\$ 4,044
Receivables, net.....	153,380	4,801	--	158,181
Inventories, net.....	7,756	157	--	7,913
Cost and estimated earnings in excess of billings on uncompleted contracts.....	14,445	2,135	--	16,580
Prepaid expenses and other current assets.....	3,380	122	--	3,502
	-----	-----	-----	-----
Total current assets.....	183,005	7,516	(301)	190,220
GOODWILL, NET.....	305,972	--	6,546	312,518
PROPERTY AND EQUIPMENT, NET.....	25,872	1,100	--	26,972
OTHER NONCURRENT ASSETS.....	3,157	15	--	3,172
	-----	-----	-----	-----
Total assets.....	\$ 518,006	\$ 8,631	\$ 6,245	\$ 532,882
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Short-term debt and current maturities of long-term debt.....	\$ 3,637	\$ 1,514	\$ (1,514)	\$ 3,637
Accounts payable and accrued expense.....	71,017	1,384	--	72,401
Billings in excess of costs and estimated earnings on uncompleted contracts.....	27,175	546	--	27,721
Income taxes payable.....	2,809	13	--	2,822
Other current liabilities.....	436	852	--	1,288
	-----	-----	-----	-----
Total current liabilities.....	105,074	4,309	(1,514)	107,869
	-----	-----	-----	-----
LONG-TERM BANK DEBT.....	89,000	--	6,512	95,512
OTHER LONG-TERM DEBT, NET.....	880	577	(577)	880
NOTE PAYABLE TO STOCKHOLDER.....	--	100	(100)	--
OTHER NON-CURRENT LIABILITIES.....	1,514	37	--	1,551
	-----	-----	-----	-----
Total liabilities.....	196,468	5,023	4,321	205,812
STOCKHOLDERS' EQUITY:				
Preferred stock.....	--	--	--	--
Common stock.....	289	509	(506)	292
Restricted common stock.....	27	--	--	27
Additional paid-in capital.....	301,384	251	5,278	306,913
Retained earnings.....	19,838	2,848	(2,848)	19,838
	-----	-----	-----	-----
Total stockholders' equity.....	321,538	3,608	1,924	327,070
	-----	-----	-----	-----
Total liabilities and stockholders' equity.....	\$ 518,006	\$ 8,631	\$ 6,245	\$ 532,882
	=====	=====	=====	=====

INTEGRATED ELECTRICAL SERVICES, INC.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 1998
(IN THOUSANDS)

	IES AND SUBSIDIARIES -----	ACQUISITIONS -----	PRO FORMA ADJUSTMENTS -----	PRO FORMA TOTAL -----
REVENUES.....	\$ 386,721	\$ 20,806	\$ --	\$ 407,527
COST OF SERVICES.....	306,052	15,608	--	321,660
	-----	-----	-----	-----
GROSS PROFIT.....	80,669	5,198	--	85,867
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES.....	47,390	3,821	(365)	50,846
NON-CASH, NON-RECURRING COMPENSATION CHARGE.....	17,036	--	--	17,036
GOODWILL AMORTIZATION.....	3,212	--	164	3,376
	-----	-----	-----	-----
INCOME FROM OPERATIONS.....	13,031	1,377	201	14,609
OTHER INCOME (EXPENSE):				
Interest expense.....	(1,161)	(102)	(354)	(1,617)
Interest income.....	433	13	(13)	433
Other, net.....	335	43	--	378
	-----	-----	-----	-----
OTHER INCOME (EXPENSE), NET.....	(393)	(46)	(367)	(806)
INCOME BEFORE INCOME TAXES.....	12,638	1,331	(166)	13,803
PROVISION FOR INCOME TAXES.....	12,690	390	122	13,202
	-----	-----	-----	-----
NET INCOME (LOSS).....	\$ (52)	\$ 941	\$ (288)	\$ 601
	=====	=====	=====	=====
 EARNING PER SHARE -				
BASIC -	\$ 0.00			\$ 0.03
	=====			=====
DILUTED -	\$ 0.00			\$ 0.03
	=====			=====
 SHARES USED IN THE COMPUTATION OF EARNINGS PER SHARE				
BASIC -	19,753,060			20,102,963
	=====			=====
DILUTED -	19,753,060			20,502,796
	=====			=====

INTEGRATED ELECTRICAL SERVICES, INC.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
FOR THE QUARTER ENDED DECEMBER 31, 1998
(IN THOUSANDS)

	IES AND SUBSIDIARIES	ACQUISITIONS	PRO FORMA ADJUSTMENTS	PRO FORMA TOTAL
	-----	-----	-----	-----
REVENUES.....	\$ 197,712	\$ 4,845	\$ --	\$ 202,557
COST OF SERVICES.....	156,745	4,094	--	160,839
	-----	-----	-----	-----
GROSS PROFIT.....	40,967	751	--	41,718
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES.....	21,841	1,012	(151)	22,702
GOODWILL AMORTIZATION.....	1,848	--	41	1,889
	-----	-----	-----	-----
INCOME FROM OPERATIONS.....	17,278	(261)	110	17,127
OTHER INCOME (EXPENSE):				
Interest expense.....	(1,695)	(26)	(88)	(1,809)
Interest income.....	151	4	(4)	151
Other, net.....	58	(14)	--	44
	-----	-----	-----	-----
OTHER INCOME (EXPENSE), NET.....	(1,486)	(36)	(92)	(1,614)
INCOME (LOSS) BEFORE INCOME TAXES.....	15,792	(297)	18	15,513
PROVISION (BENEFIT) FOR INCOME TAXES.....	6,700	(96)	4	6,608
	-----	-----	-----	-----
NET INCOME (LOSS).....	\$ 9,092	\$ (201)	\$ 14	\$ 8,905
	=====	=====	=====	=====
EARNING PER SHARE -				
BASIC -	\$ 0.29			\$ 0.28
	=====			=====
DILUTED -	\$ 0.29			\$ 0.28
	=====			=====
SHARES USED IN THE COMPUTATION OF EARNINGS PER SHARE				
BASIC -	31,134,718			31,494,718
	=====			=====
DILUTED -	31,668,316			32,028,316
	=====			=====

INTEGRATED ELECTRICAL SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

1. UNAUDITED PRO FORMA BALANCE SHEET:

The Pro Forma Adjustments reflects the Acquisitions which were acquired subsequent to December 31, 1998.

2. UNAUDITED PRO FORMA STATEMENT OF OPERATIONS:

The Unaudited Pro Forma Statement of Operations for the year ended September 30, 1998 for IES and Subsidiaries reflects the historical results of Houston-Stafford Electric, Inc. ("Houston-Stafford") as the accounting acquirer (restated for the effect of an acquisition accounted for as a pooling-of-interest combined) the other Founding Companies beginning February 1, 1998, and the Acquired Companies beginning on their respective dates of acquisition.

The Acquisitions column reflects the historical results of the Acquisitions as if they had been acquired on October 1, 1997.

The following table summarizes the Pro Forma Adjustments for the Year Ended September 30, 1998 (in thousands):

	ADJUSTMENTS				PRO FORMA ADJUSTMENTS
	(a)	(b)	(c)	(d)	
Selling, general and administrative expenses.....	\$ (365)	\$ --	\$ --	--	\$ (365)
Goodwill amortization.....	--	164	--	--	164
Income (loss) from operations.....	365	(164)	--	--	201
Other income (expense):					
Interest expense.....	--	--	(354)	--	(354)
Interest income.....	--	--	(13)	--	(13)
Other, net.....	--	--	--	--	--
Other income (expense), net.....	--	--	(367)	--	(367)
Income (loss) before income taxes.....	365	(164)	(367)	--	(166)
Provision for income taxes.....	--	--	--	122	122
Net income (loss).....	\$ 365	\$ (164)	\$ (367)	\$ (122)	\$ (288)

The following table summarizes the Pro Forma Adjustments for the Quarter Ended December 31, 1998 (in thousands):

	ADJUSTMENTS				PRO FORMA ADJUSTMENTS
	(a)	(b)	(c)	(d)	
Selling, general and administrative expenses.....	\$ (151)	\$ --	\$ --	\$ --	\$ (151)
Goodwill amortization.....	--	41	--	--	41
Income (loss) from operations.....	151	(41)	--	--	110
Other income (expense):					
Interest expense.....	--	--	(88)	--	(88)
Interest income.....	--	--	(4)	--	(4)
Other, net.....	--	--	--	--	--
Other income (expense), net.....	--	--	(92)	--	(92)
Income (loss) before income taxes.....	151	(41)	(92)	--	18
Provision for income taxes.....	--	--	--	4	4
Net income (loss).....	\$ 151	\$ (41)	\$ (92)	\$ (4)	\$ 14

INTEGRATED ELECTRICAL SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

- (a) Reflects the reduction in salaries, bonuses and benefits and lease payments to the owners of the Acquisitions. These reductions in salaries, bonuses and benefits and lease payments have been agreed to in accordance with the terms of employment agreements executed as part of the acquisitions. Such employment agreements are for five years, contain restrictions related to competition and provide severance for termination of employment in certain circumstances.
- (b) Reflects the amortization of goodwill recorded as a result of these acquisitions over a 40-year estimated life.
- (c) Reflects the reduction of additional interest expense and income on borrowings which will be repaid and collected, respectively, subsequent to the acquisition and the reduction of certain non-recurring other income.
- (d) Reflects the incremental provision for federal and state income taxes at a 38.5% overall tax rate, before non-deductible goodwill and other permanent items, related to the other statements of operations adjustments and for income taxes on the pretax income of acquired companies that have historically elected S Corporation tax status.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rockwell Electric, Inc.
Escondido, California

We have audited the accompanying balance sheet of Rockwell Electric, Inc. (a California corporation) as of November 30, 1998, and the related statements of operations and retained earnings, and cash flows for the year then ended. 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 audit.

We conducted our audit 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 audit provides 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 Rockwell Electric, Inc. as of November 30, 1998, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

S. J. GALLINA & CO., LLP

Walnut Creek, California
April 30, 1999

ROCKWELL ELECTRIC, INC.
BALANCE SHEET
NOVEMBER 30, 1998

ASSETS

Current assets:	
Cash	\$ 19,702
Accounts receivable:	
Current contracts, net of allowance for \$ 11,151	899,171
Retainage	989,048
Other	19,506
Inventories	22,310
Cost and estimated earnings in excess of billings on uncompleted contracts	1,645,669
Prepaid expenses and other current assets	45,798

Total current assets	3,641,204
Property and equipment, at cost, net of accumulated depreciation	430,646

Total assets	\$4,071,850
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Line of credit	\$ 300,000
Accounts payable	726,417
Accrued expenses	280,054
Current maturities of long-term debt	71,713
Billings in excess of costs and estimated earnings on uncompleted contracts	308,269
Deferred income taxes	144,043

Total current liabilities	1,830,496
Long-term liabilities:	
Long-term debt, net of current maturities	145,950
Notes payable to stockholder	100,000
Deferred income taxes	37,250

Total long-term liabilities	283,200

Total liabilities	2,113,696

Stockholders' equity:	
Common stock, no par value, 75,000 shares authorized, 13,333 shares issued and outstanding	507,589
Retained earnings	1,450,565

Total stockholders' equity	1,958,154

Total liabilities and stockholders' equity	\$4,071,850
	=====

See independent auditor's report and accompanying notes to financial statements.

ROCKWELL ELECTRIC, INC.
 STATEMENT OF OPERATIONS AND RETAINED EARNINGS
 FOR THE YEAR ENDED NOVEMBER 30, 1998

Contract revenue	\$9,022,493
Cost of contract revenue	7,305,360

Gross profit	1,717,133
General and administrative expenses	1,138,705

Income from operations	578,428
Other income (expense)	10,311

Income before income taxes	588,739
Provision for income taxes	232,735

Net income	356,004
Retained earnings, December 1, 1997	1,094,561

Retained earnings, November 30, 1998	\$1,450,565
	=====

See independent auditor's report and accompanying notes to financial statements.

ROCKWELL ELECTRIC, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 1998

Cash flows from operating activities:	
Net income	\$ 356,004
Adjustments to reconcile net income to net cash provided (used) by operating activities--	
Depreciation	121,278
Loss on sale of property and equipment	2,217
(Increase) decrease in--	
Accounts receivable	419,078
Costs and estimated earnings in excess of billings on uncompleted contracts	(919,631)
Other current assets	(3,681)
Increase (decrease) in--	
Accounts payable	301,871
Billings in excess of costs and estimated earnings on uncompleted contracts	(287,659)
Accrued expenses	(27,176)

Net cash provided (used) by operating activities	(37,699)

Cash flows from investing activities:	
Purchase of property and equipment	(71,958)
Proceeds from sale of property and equipment	2,200
Increase in other receivables	(14,357)

Net cash provided (used) by investing activities	(84,115)

Cash flows from financing activities:	
Net borrowings on line of credit	200,000
Repayment of long-term debt	(80,458)

Net cash provided by financing activities	119,542

Net increase (decrease) in cash	(2,272)
Cash, December 1, 1997	21,974

Cash, November 30, 1998	\$ 19,702
	=====
Supplemental disclosure of cash flow information:	
Income taxes paid	\$ 277,134
	=====
Interest paid	\$ 53,461
	=====
Non-cash investing and financing transactions:	
Property and equipment purchases financed	\$ 60,191
	=====

See independent auditor's report and accompanying notes to financial statements.

ROCKWELL ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 1998

1. Organization and description of business:

Rockwell Electric, Inc. (the Company) is engaged primarily in systems integration and electrical contracting. The Company was incorporated on January 3, 1979, in the state of California. The Company's operations are primarily conducted in Southern California and involve prime-contracts, sub-contracts and technical service for electrical contracts, SCADA (Supervisory Control and Data Acquisition) systems and the fabrication of instrumentation and control panels. The primary market for the Company is the water and waste-water industry with emphasis on public works projects.

2. Summary of significant accounting policies:

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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.

Revenue and cost recognition

The Company recognizes revenues from long-term contracts on the percentage-of-completion method. Under this method, the completion percentage is measured by the proportion of cost incurred to date to total estimated cost for each contract. This method is used because management believes the cost-to-cost method to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change in the near term.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, insurance, equipment repairs, and depreciation costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

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

Concentrations of credit risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash and contract receivables.

The Company maintains cash balances at three financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. At times, the balances in the Company's accounts may exceed this limit. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

The Company grants credit, generally without collateral, to its customers, which include national industrial and commercial enterprises, regional public agencies, and various general contractors. Management believes that its contract acceptance, billing and collection policies are adequate to minimize potential credit risk.

Inventories

Inventories are stated at lower of cost (first-in, first-out) or market.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets (3 to 7 years). 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 over its life. 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 statement of operations.

At November 30, 1998, property and equipment consist of the following:

Automotive equipment	\$ 387,860
Machinery and equipment	177,122
Office furniture and equipment	212,162

	777,144
Less--accumulated depreciation	(346,498)

Property and equipment, net	\$ 430,646
	=====

Depreciation expense was \$ 121,278 for the year ended November 30, 1998.

Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the bases of assets and liabilities for financial statement and income tax purposes. These differences relate primarily to the difference between the bases of long-term contracts and depreciable assets. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses and tax credits that are available to offset future taxable income and income taxes.

For income tax purposes, the Company uses the accrual basis and percentage-of-completion methods of accounting, depending upon the contract classification. Construction contracts are accounted for using the accrual basis method. Non-construction contracts are accounted for using the percentage-of-completion method. Under the accrual method, income is recognized upon the billing of revenues and expenses are generally deductible when incurred.

The Company may also be subject to the alternative minimum tax (AMT). AMT is calculated based on the percentage-of-completion method at lower tax rates than the regular tax. The excess of AMT over regular tax is added to the regular tax. This excess is carried over to future years as a credit against regular tax until it is fully utilized. The credit cannot reduce the regular tax below AMT in any year.

Fair value of financial instruments

The Company's financial instruments consist of cash, accounts receivable, a line of credit, accounts payable and debt. The Company believes that the carrying values of these instruments on the accompanying balance sheet approximate their fair values.

3. Cost and estimated earnings on uncompleted contracts:

Costs incurred to date on uncompleted contracts	\$ 12,219,947
Estimated earnings to date	2,818,334

Contract revenue earned to date	15,038,281
Less billings to date	13,700,881

Excess of revenue earned over billings	\$ 1,337,400
	=====

The excess of revenue earned over billings is included in the accompanying balance sheet under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 1,645,669
Billings in excess of costs and estimated earnings on uncompleted contracts	(308,269)

	\$ 1,337,400
	=====

4. Line of credit:

During 1998, the Company renegotiated its line-of-credit facility (LOC) with North County Bank. As of November 30, 1998, the maximum amount available under the LOC is \$1,000,000 with interest due at prime (7.75% at November 30, 1998), plus 1.5%. As of November 30, 1998, a total of \$300,000 was outstanding. This line of credit, which expires May 1, 1999, is collateralized by the Company's accounts receivable, inventory and equipment. The line of credit is also guaranteed by the Company stockholders.

5. Long-term debt and notes payable to stockholder:

Notes payable, secured by machinery and equipment, with aggregate monthly principal and interest payments of \$2,024 due through November 15, 1999, interest ranging from 10.25% to 13.38% per annum	\$ 17,987
Notes payable, secured by automotive equipment, with aggregate monthly principal and interest payments of \$5,664 due through 2003, interest ranging from 1.9% to 9.5% per annum	199,676

	217,663
Less current portion	(71,713)

	\$ 145,950
	=====
Unsecured notes payable to the majority stockholder, interest only payments monthly at 10% per annum, due November 30, 2002 and December 24, 2002	\$ 100,000
	=====

Aggregate maturities of principal, including stockholder debt, by year, are as follows:

November 30, 1999	\$ 71,713
2000	60,463
2001	51,339
2002	79,120
2003	55,028

	\$ 317,663
	=====

Interest expense for the year ended November 30, 1998 on all debt was \$53,461 of which \$51,319 is included in cost of contract revenue and \$2,142 is included in other income (expense). Interest expense related to notes payable to the stockholder totaled \$10,000 for the year ended November 30, 1998.

6. Income taxes:

Income tax expense for the year ended November 30, 1998 is reconciled to the federal statutory rate as follows:

Federal tax at statutory rate	\$ 200,171
State income taxes, net of federal benefit	35,080
Other	(2,516)

	\$ 232,735
	=====

Income tax expense consists of the following:

	Federal	State	Total
	-----	-----	-----
Current tax expense	\$ 155,352	\$ 53,605	\$ 208,957
Deferred tax expense (reduction)	27,485	(3,707)	23,778
	-----	-----	-----
	\$ 182,837	\$ 49,898	\$ 232,735
	=====	=====	=====

The tax effects of temporary differences and carryforwards that give rise to deferred tax assets and liabilities at November 30, 1998 consist of the following:

Deferred tax assets related to temporary differences and tax credits	\$ 159,489
	=====
Deferred tax liabilities related to temporary differences	\$ 340,782
	=====

At November 30, 1998, the Company had available federal and state alternative minimum tax credits of approximately \$58,500 and \$37,500, respectively, available to offset future income tax liabilities.

7. Operating lease commitments:

In November, 1994, the Company entered into a noncancellable operating lease agreement with its majority stockholder to lease a facility constructed and owned by the majority stockholder. The lease term began on December 1, 1994 and expires on November 30, 2004. The lease contains three (3) five-year renewal options under the same terms and conditions. The lease provides for adjustments in the annual rents on each anniversary date of the lease, based on an inflation index, limited to minimum and maximum increases of 3% and 8%, respectively. The Company is also responsible for the payment of property taxes, insurance, repairs and maintenance under the terms of the lease agreement.

Effective June 1, 1997, the majority stockholder completed construction of additional office space at the premises. The original lease agreement was amended to increase the monthly lease payment, as of June 1, 1997, for the additional lease space. All of the other terms and conditions of the original lease agreement remain unchanged.

The monthly lease payments were \$7,375 for the year ended November 30, 1998. Rent expense under this lease for the year ended November 30, 1998 was \$88,500. Property taxes paid under the agreement were \$6,720.

Future minimum rental payments under the operating lease are as follows:

November 30, 1999	\$ 91,152
2000	93,888
2001	96,708
2002	99,612
2003	102,600
Thereafter	105,684

	\$ 589,644
	=====

8. Benefit plans:

On April 1, 1993, the Company established a salary reduction/profit sharing plan under Section 401(k) of the Internal Revenue Code that covers all eligible employees. The plan provides for the Company to match voluntary employee contributions at a discretionary rate up to 100%. The maximum employee contribution the Company will match is 100% which equates to a maximum of 15% of annual compensation. Such matching rate can be changed at the Company's discretion. All contributions by the Company are funded currently and vest over 6 years. All employee contributions are immediately vested. Company matching contributions to the plan were \$70,167 for the year ended November 30, 1998.

9. Stockholders' agreement:

The Company and the stockholders entered into an agreement on November 15, 1996, which prohibits any stockholders from transferring, assigning or encumbering their stock, without prior written consent of the Company and the other stockholder. In addition, the Company is obligated to purchase the shares of a stockholder in the event of his death, termination or disability, in the event the remaining stockholder does not do so. The methodology for determining the purchase price is set forth in the agreement.

10. Major customers and risk concentration:

The Company's contract revenues are highly concentrated with three individual customers. These customers accounted for approximately \$3,982,000 or 44% of contract revenues for the year ended November 30, 1998. The associated accounts receivable from these customers total approximately \$536,000 or 28% of total accounts receivable at November 30, 1998. The loss of a significant customer could have a material impact on the Company's future earnings results. The Company has recorded an allowance for doubtful accounts of \$11,151 as of November 30, 1998. Management believes that this allowance is adequate.

11. Commitments and contingencies:

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 financial position or results of operation.

12. Subsequent events:

On January 27, 1999, the Company completed the sale of all of its outstanding common stock to Integrated Electrical Services, Inc.

On March 1, 1999, the Company entered into a noncancellable operating lease agreement for additional office space. The lease term is for seven years commencing June 1, 1999 and ending May 31, 2006. The lease provides for base rent of \$9,632 per month for the first year of tenancy, with an increase of 3% at the beginning of each year thereafter. The Company will also be responsible for a proportionate share of common area expenses.

Future minimum rental payments under the operating lease agreement are as follows:

November 30, 1999	\$ 57,792
2000	117,318
2001	120,834
2002	124,458
2003	128,196
Thereafter	337,050

	\$ 885,648
	=====

INDEPENDENT AUDITOR'S REPORT

Stockholder
Canova Electrical Contracting, Inc.
East McKeesport, Pennsylvania

We have audited the accompanying balance sheet of Canova Electrical Contracting, Inc. as of December 31, 1998, and the related statements of income, stockholder's equity, and cash flows for the year then ended. 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 audit.

We conducted our audit 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 audit provides 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 Canova Electrical Contracting, Inc., as of December 31, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

LARSON, ALLEN, WEISHAIR & CO., LLP

Minneapolis, Minnesota
April 29, 1999

CANOVA ELECTRICAL CONTRACTING, INC.
BALANCE SHEET
DECEMBER 31, 1998

ASSETS

CURRENT ASSETS

Cash	\$ 258,015
Accounts Receivable - Contracts (Net of Allowance for Doubtful Accounts of \$10,000)	922,676
Retainages Receivable	256,396
Accounts Receivable - Employees	5,881
Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts	15,080
Prepaid Expenses	20,484

Total Current Assets	\$1,478,532

PROPERTY AND EQUIPMENT (NET)

211,868

Total Assets

\$1,690,400

=====

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Line of Credit	\$ 400,000
Current Portion of Long-Term Debt	24,771
Accounts Payable - Trade	10,467
Accrued Expenses	19,846
Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts	238,254

Total Current Liabilities

\$ 693,338

LONG-TERM DEBT (Net of Current Portion Shown Above)

20,269

Total Liabilities

\$ 713,607

STOCKHOLDER'S EQUITY

Common Stock - \$1 Par Value; 1,000 Shares Authorized, Issued and Outstanding	\$ 1,000
Additional Paid-In Capital	130,736
Retained Earnings	845,057

Total Stockholder's Equity

\$ 976,793

Total Liabilities and Stockholder's Equity

\$1,690,400

=====

See accompanying Notes to Financial Statements.

CANOVA ELECTRICAL CONTRACTING, INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1998

CONTRACT REVENUES EARNED	\$ 5,772,864
CONTRACT COSTS	4,734,169 -----
GROSS PROFIT	\$ 1,038,695
GENERAL AND ADMINISTRATIVE EXPENSE	716,592 -----
INCOME FROM OPERATIONS	\$ 322,103 -----
OTHER INCOME	
Interest Income	\$ 12,230
Interest Expense	(8,818)
Bad Debts Recovered	8,104 -----
Total Other Income	\$ 11,516 -----
NET INCOME	\$ 333,619 =====

See accompanying Notes to Financial Statements.

CANOVA ELECTRICAL CONTRACTING, INC.
STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1998

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT			
BALANCE, DECEMBER 31, 1997	1,000	\$ 1,000	\$ 130,736	\$ 570,190	\$ 701,926
Distributions to Stockholder	--	--	--	(58,752)	(58,752)
Net Income	--	--	--	333,619	333,619
BALANCE, DECEMBER 31, 1998	1,000	\$ 1,000	\$ 130,736	\$ 845,057	\$ 976,793

See accompanying Notes to Financial Statements.

CANOVA ELECTRICAL CONTRACTING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	\$ 333,619
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	81,450
Loss on Disposal of Equipment	3,456
(Increase) Decrease in Current Assets:	
Accounts Receivable - Contracts	(486,491)
Unbilled Revenues	92,742
Other Current Assets	51,564
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(67,676)
Excess Billings	204,047
Accrued Expenses	(3,934)
Income Taxes Payable	2,400
Net Cash Provided by Operating Activities	\$ 211,177

CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for Purchase of Equipment	\$ (56,558)
Loans Receivable - Employees	(2,000)
Loans Receivable - Affiliates	(940)
Net Cash Used by Investing Activities	\$ (59,498)

CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on Long-Term Debt	\$ (23,086)
Distributions	(58,752)
Net Cash Used by Financing Activities	\$ (81,838)

NET INCREASE IN CASH	\$ 69,841
Cash - Beginning	188,174

CASH - ENDING	\$ 258,015
=====	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest Paid	\$ 8,818
=====	
SUPPLEMENTAL SCHEDULE OF NON-CASH TRANSACTIONS	
Equipment Purchased with Long-Term Debt	\$ 30,000
=====	

See accompanying Notes to Financial Statements.

CANOVA ELECTRICAL CONTRACTING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE 1 ORGANIZATION AND DESCRIPTION OF BUSINESS

The Company is engaged in the business of providing electrical contracting services on various commercial, institutional, industrial and multi-family residential projects located primarily in Western Pennsylvania. The Company began operations in 1972 and conducted business as a sole proprietorship until January 10, 1989, when it was incorporated under the laws of the Commonwealth of Pennsylvania

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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.

REVENUE AND COST RECOGNITION

Revenues are recognized on the percentage-of-completion method, measured by the costs incurred to date to the estimated total costs for each contract. Contract revenue earned is the amount of direct costs incurred plus the amount of gross profit recognized based on the extent of progress toward completion.

Contract costs include all direct costs and job related overhead. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job condition, and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Because of inherent uncertainties in estimating costs and revenues, it is at least reasonably possible that the estimates used will change in the near term.

CONCENTRATION OF CREDIT RISK

The Company maintains cash balances with high quality financial institutions. At times such cash balances may be in excess of the FDIC insurance limit.

The Company's revenues are highly concentrated with a few customers. Contract revenues from three customers in 1998 represented approximately 75% of total contract revenues for the year ended December 31, 1998. The contract accounts receivable from these customers were \$324,670 as of December 31, 1998. The loss of a significant customer could have a material impact on the Company's future earnings results.

The Company has recorded an allowance for doubtful accounts of approximately \$10,000 as of December 31, 1998. Management believes that this allowance is adequate.

CANOVA ELECTRICAL CONTRACTING, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1998

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is calculated using the straight-line and accelerated methods over the estimated useful life of the asset. Equipment and fixtures are depreciated between 5 and 7 years. Leasehold improvements are depreciated over the life of the lease term.

At December 31, 1998, property and equipment consisted of:

	Amount

Equipment and Fixtures	\$ 188,998
Transportation Equipment	319,731
Leasehold Improvements	63,019

	\$ 571,748
Less: Accumulated Depreciation	(359,880)
	=====
Property and Equipment, net	\$ 211,868
	=====

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and notes payable. Estimates of the fair value of these instruments are based on interest rates available to the Company. At December 31, 1998, the carrying value of the Company's financial instruments approximated fair value.

INCOME TAXES

The Company has elected S corporation status for federal and state income tax purposes whereby the Company's taxable income and any tax credits resulting from operating losses will be included in the individual income tax return of its stockholder. Therefore, no provision for income taxes is included in these financial statements.

NOTE 3 CONTRACTS IN PROGRESS

	Amount

Costs Incurred on Uncompleted Projects	\$ 3,678,709
Estimated Gross Profit	951,187

Contract Revenues	\$ 4,629,896
Less: Billings	4,853,070

	\$ (223,174)
	=====
Cost and Estimated Earnings in Excess of Billings on Uncompleted Contracts	\$ 15,080
Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts	(238,254)

Total, Net	\$ (223,174)
	=====

CANOVA ELECTRICAL CONTRACTING, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1998

NOTE 4 NOTE PAYABLE - BANK

The Company has a discretionary demand line of credit available from Dollar Bank for maximum working capital borrowings of \$500,000. The line of credit is unsecured except for the personal guarantee of the stockholder. The interest rate is equal to the prime rate and was 7.75% as of December 31, 1998. Borrowings on the line of credit as of December 31, 1998 were \$400,000.

NOTE 5 LONG-TERM DEBT

Description -----	Collateral -----	Amount -----
Installment Note - G.M.A.C., Interest at 9.50%, Monthly Principal and Interest Payments of \$420 through October 1999	Truck	\$ 3,635
Installment Note - Irwin Bank, Interest at 8.39%, Monthly Principal and Interest Payments of \$315 through April 1999	Van	1,239
Installment Note - Irwin Bank, Interest at 8.39%, Monthly Principal and Interest Payments of \$252 through April 1999	Truck	991
Installment Note - Irwin Bank, Interest at 8.38%, Monthly Principal and Interest Payments of \$315 through December 1999	Truck	3,615
Installment Note - Irwin Bank, Interest at 8.38%, Monthly Principal and Interest Payments of \$315 through December 1999	Van	3,615
Installment Note - G.M.A.C., Interest at 3.90%, Monthly Principal and Interest Payments of \$305 through February 2000	Automobile	4,166
Installment Note - Irwin Bank, Interest at 8.38%, Monthly Principal and Interest Payments of \$315 through September 2001	Truck	9,010
Installment Note - Ford Motor Credit, Interest at 0.90%, Monthly Principal and Interest Payments of \$212 through September 2002	Truck	8,769
Installment Note - Irwin Bank, Interest at 7.50%, Monthly Principal and Interest Payments of \$311 through January 2002	Truck	10,000
Subtotal		\$ 45,040
Less: Current Portion		24,771
Long-Term Portion		\$ 20,269 =====

NOTE 5 LONG-TERM DEBT (CONTINUED)

Maturity requirements on long-term debt as of December 31, 1998 are as follows:

Year Ending December 31, -----	Amount -----
1999	\$ 24,771
2000	9,522
2001	8,835
2002	1,912

Total	\$ 45,040 =====

NOTE 6 PROFIT SHARING PLAN

The Company provides a defined contribution profit sharing plan. The Plan covers all full-time employees with at least one year of service. The Company matches 20% of employee contributions up to a maximum of 15% of gross compensation. The employer contribution for the year ended December 31, 1998 was \$9,147.

NOTE 7 LEASE COMMITMENTS

On April 23, 1999, the Company agreed to a five year net operating lease for its East McKeesport office and two warehouse with its sole stockholder. The terms of the lease provide for the payment of fixed monthly rentals of \$2,500 plus all expenses of occupying and operating the premises. Prior to this lease the facilities were leased under a year-to-year basis. Rent expense was \$17,900 for the year ended December 31, 1998.

Future minimum lease commitments are as follows:

Year Ending December 31, -----	Amount -----
1999	\$ 20,000
2000	30,000
2001	30,000
2002	30,000
2003	30,000
Thereafter	10,000

Total	\$ 150,000 =====

NOTE 8 SUBSEQUENT EVENT

On April 23, 1999 effective on April 16, 1999, the Company completed the sale of substantially all of its assets and liabilities to Integrated Electrical Services.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Linemen, Inc. dba California Communications
Ontario, California

We have audited the accompanying balance sheet of Linemen, Inc. dba California Communications (a C corporation) as of December 31, 1998, and the related statements of operations, stockholder's equity and cash flows for the year then ended. 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 audit.

We conducted our audit 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 Linemen, Inc. dba California Communications (a C corporation) as of December 31, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

S. J. GALLINA & CO., LLP

Sacramento, California
April 29, 1999

LINEMEN, INC dba CALIFORNIA COMMUNICATIONS

BALANCE SHEETS -- DECEMBER 31, 1998, AND MARCH 31, 1999 (UNAUDITED)

ASSETS	DECEMBER 31, 1998	MARCH 31, 1999
-----	-----	-----
		(UNAUDITED)
CURRENT ASSETS:		
Cash	\$ 23,059	\$ 5,476
Receivables:		
Contracts	1,211,457	1,001,373
Unbilled receivables on completed contracts	374,985	143,171
Note	100,000	75,000
Other	22,551	6,666
Inventory	134,961	136,512
Costs and estimated earnings in excess of billings on uncompleted contracts	474,197	745,970
Prepaid expenses and other current assets	55,775	70,743
	-----	-----
Total current assets	2,396,985	2,184,911
DEFERRED TAX ASSETS	14,909	--
LEASEHOLD IMPROVEMENTS AND EQUIPMENT, net	456,750	494,659
	-----	-----
Total assets	\$2,868,644	\$2,679,570
	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Line of credit	\$ 357,030	\$ 262,030
Accounts payable and accrued liabilities	347,583	379,282
Current maturities of long-term debt and capital lease obligations	359,800	350,392
Income taxes payable	12,849	33,827
Deferred tax liability	707,547	667,492
	-----	-----
Total current liabilities	1,784,809	1,693,023
	-----	-----
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, net	411,413	358,796
	-----	-----
STOCKHOLDER'S EQUITY:		
Common stock, no par value, 100,000 shares authorized; 100 shares issued and outstanding in 1998 and 1999	100	100
Additional paid-in capital	120,382	120,382
Retained earnings	551,940	507,269
	-----	-----
Total stockholder's equity	672,422	627,751
	-----	-----
Total liabilities and stockholder's equity	\$2,868,644	\$2,679,570
	=====	=====

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

LINEMEN, INC dba CALIFORNIA COMMUNICATIONS

STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1998, AND THE THREE-MONTH PERIODS ENDED
MARCH 31, 1998 (UNAUDITED), AND MARCH 31, 1999 (UNAUDITED)

	YEAR ENDED DECEMBER 31, 1998	THREE-MONTH PERIODS ENDED	
		MARCH 31, 1998	MARCH 31, 1999
		(UNAUDITED)	(UNAUDITED)
CONTRACT REVENUE	\$ 6,010,792	\$ 1,698,496	\$ 1,300,101
CONTRACT COSTS	3,568,756	905,840	858,438
		-----	-----
Gross profit	2,442,036	792,656	441,663
GENERAL AND ADMINISTRATIVE EXPENSES	1,965,281	539,815	446,612
		-----	-----
Income (loss) from operations	476,755	252,841	(4,949)
OTHER INCOME (EXPENSE):			
Interest income	583	--	1,167
Interest expense	(90,742)	(22,327)	(26,836)
Gain (loss) on sale of equipment	2,498	--	(5,392)
Other income, net	19,565	8,012	20
		-----	-----
Other income (expense), net	(68,096)	(14,315)	(31,041)
		-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	408,659	238,526	(35,990)
PROVISION FOR INCOME TAXES	(156,942)	(30,705)	(8,681)
		-----	-----
NET INCOME (LOSS)	\$ 251,717	\$ 207,821	\$ (44,671)
	=====	=====	=====

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

LINEMEN, INC dba CALIFORNIA COMMUNICATIONS

STATEMENTS OF STOCKHOLDER'S EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 1998, AND THE THREE-MONTH PERIOD ENDED
 MARCH 31, 1999 (UNAUDITED)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT			
BALANCE, December 31, 1997	200	\$ 200	\$ 24,655	\$ 721,179	\$ 746,034
Prior period adjustment	--	--	216,110	(29,426)	186,684
BALANCE, December 31, 1997 (as adjusted)	200	200	240,765	691,753	932,718
Stock redemption	(100)	(100)	(120,383)	(391,530)	(512,013)
Net income	--	--	--	251,717	251,717
BALANCE, December 31, 1998	100	100	120,382	551,940	672,422
Net income (loss) (unaudited)	--	--	--	(44,671)	(44,671)
BALANCE, March 31, 1999 (unaudited)	100	\$ 100	\$ 120,382	\$ 507,269	\$ 627,751

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

LINEMEN, INC dba CALIFORNIA COMMUNICATIONS

 STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 1998, AND THE THREE-MONTH PERIODS
 ENDED MARCH 31, 1998 (UNAUDITED), AND MARCH 31, 1999 (UNAUDITED)

	DECEMBER 31, 1998 -----	MARCH 31, 1998 ----- (UNAUDITED)	MARCH 31, 1999 ----- (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 251,717	\$ 207,821	\$ (44,671)
Adjustments to reconcile net income (loss) to net cash provided by operating activities-			
Change in deferred income taxes	189,305	--	(25,146)
Depreciation	120,567	33,324	30,996
Loss (gain) on sale of equipment	(2,498)	--	5,392
(Increase) decrease in net cash from changes in operating assets and liabilities:			
Increase (decrease) in accounts receivable and other receivables	(162,065)	840,609	457,783
(Increase) decrease in inventory	81,149	--	--
(Increase) decrease in cost and estimated earnings in excess of billings on uncompleted contracts	159,948	(224,779)	(271,773)
(Increase) decrease in prepaid expenses and other current assets	(28,433)	4,400	(16,519)
Increase (decrease) in accounts payable and accrued liabilities	(323,057)	(490,313)	31,699
Increase (decrease) in income taxes payable	(93,335)	--	20,978
	-----	-----	-----
Net cash provided by operating activities	193,298	371,062	188,739
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Advances) collections on related party note receivable	(100,000)	--	25,000
Advances on other receivables, net	(17,568)	--	--
Purchase of equipment	(443,898)	(210,848)	(39,401)
Proceeds from sale of property and equipment	14,468	--	20,250
	-----	-----	-----
Net cash provided by (used in) investing activities	(546,998)	(210,848)	5,849
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from line of credit	505,030	--	105,000
Payment of line of credit	(148,000)	--	(200,000)
Proceeds from long-term debt	500,000	--	--
Payment of long-term debt	(629,889)	(61,650)	(117,171)
Payment for stock redemption	(6,182)	--	--
	-----	-----	-----
Net cash provided by (used in) financing activities	220,959	(61,650)	(212,171)
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH	(132,741)	98,564	(17,583)
CASH, beginning of period	155,800	155,800	23,059
	-----	-----	-----
CASH, end of period	\$ 23,059	\$ 254,364	\$ 5,476
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	\$ (90,742)	\$ (22,327)	\$ (26,044)
Cash received from other income, net	19,565	8,012	20
Cash paid for income taxes	(60,972)	(800)	(12,849)
Equipment purchased through issuance of long-term debt	(93,323)	(73,738)	(55,146)

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

LINEMEN, INC dba CALIFORNIA COMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, MARCH 31, 1998 (UNAUDITED)
AND MARCH 31, 1999 (UNAUDITED)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS:

LINEMEN, INC dba CALIFORNIA COMMUNICATIONS (the Company) is engaged in the installation of copper, coaxial and fiber-optic communications cable. The work is performed under fixed-price and time-and-equipment contracts. The Company was incorporated on August 13, 1996, in the state of California.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INTERIM FINANCIAL STATEMENTS

The accompanying interim financial statements and related disclosures for the three months ended March 31, 1998 and 1999, have not been audited by independent accountants. However, the financial statements for all interim periods have been prepared in conformity with the accounting principles stated in the audited financial statements for the year ended December 31, 1998, and include all adjustments (which were of a normal, recurring nature) which, in the opinion of management, are necessary to present fairly the financial position of the Company and the results of operations and cash flows for each of the periods presented. The operating results for the interim periods presented are not necessarily indicative of results for the full year.

FINANCIAL STATEMENT CLASSIFICATION

In accordance with normal practice in the construction industry, the Company includes in current assets and liabilities amounts realizable and payable over a period in excess of one year. Consistent with this practice, asset and liability accounts relating to construction contracts, including related deferred income taxes, are classified as current. The lives of contracts entered into by the Company generally range from one to two months.

REVENUE AND COST RECOGNITION

The Company recognizes revenues from long-term construction contracts on the percentage-of-completion method. Under this method, the completion percentage is measured by the proportion of costs incurred to date to total estimated costs for each contract. However, no gross profit is recognized on contracts that are less than ten percent complete. This method is used because management believes the cost-to-cost method to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating cost, it is at least reasonably possible that the estimates used will change within the near term.

Contract costs include all direct material, labor and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs. Selling, general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured. An amount equal to contract costs attributable to claims is included in revenue when realization is probable and the amount can be reliably estimated. Contracts are considered completed when all costs except insignificant items have been incurred and the owner has accepted the project.

The asset, "Costs and estimated gross profit in excess of billings on contracts in progress," represents revenue recognized in excess of amounts billed.

INVENTORY

Inventory represents construction materials and supplies not allocated to specific construction projects. Inventory is valued at lower of cost or market based on the first-in, first-out method.

LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment, carried at cost, is depreciated over the estimated useful life of the related asset. Depreciation is computed substantially on the straight-line method for financial statement purposes and accelerated methods for income tax reporting purposes. Transportation and construction equipment are depreciated over 5 years. Office equipment is depreciated between 3 and 7 years. Leasehold improvements are depreciated over 15 years.

At December 31, 1998, leasehold improvements and equipment consisted of:

	DECEMBER 31, 1998

Transportation equipment	\$458,241
Construction equipment	91,851
Office equipment	42,041
Leasehold improvements	3,813

	595,946
Less - Accumulated depreciation	139,196

Leasehold improvements and equipment, net	\$456,750
	=====

Depreciation charged to general and administrative expenses amounted to \$120,567 for the year ended December 31, 1998.

INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the bases of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to the difference between the bases of long-term

contracts and depreciable assets. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses and tax credits that are available to offset future taxable income and income taxes.

For income tax purposes, the Company reports income on the cash method of accounting. Under this method, billings and costs are accumulated during the period of construction, but billings are not recorded until received and costs are not recorded until paid.

The Company may also be subject to the alternative minimum tax (AMT). AMT is calculated based on the percentage-of-completion method at lower tax rates than the regular tax. The excess of AMT over regular tax is added to the regular tax. This excess is carried over to future years as a credit against regular tax until it is fully utilized. The credit cannot reduce the regular tax below AMT in any year.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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.

CONCENTRATIONS OF RISK

The Company's contracts receivable and contract revenue are highly concentrated in two customers. These customers account for approximately 98% of contracts receivable in the year ended December 31, 1998. The associated contract revenue from these customers represented approximately 95% of total contract revenue at December 31, 1998. The loss of either of these significant customers could have a material impact on the Company's future earnings results.

The Company grants credit to its customers and the company's management believes that its contract acceptance, billing, and collection policies are adequate to minimize potential credit risk.

The Company maintains its demand deposits in commercial banks with Federal Deposit Insurance Corporation limits of \$100,000 per bank.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable and accounts payable. Estimates of the fair value of these instruments are based on interest rates available to the Company. At December 31, 1998, the carrying value of the Company's financial instruments approximated the fair value.

3. RELATED PARTY TRANSACTIONS:

Included in note receivable is \$100,000 of advances made by the Company to a partnership in which the sole stockholder is a general partner. The note bears interest at 7% and is due December 1, 1999.

The Company rents equipment from a partnership in which the sole stockholder is a general partner. Equipment rent expensed to contract costs amounted to \$39,682 for the year ended December 31, 1998 of which \$17,250 is included in accounts payable.

4. COSTS AND ESTIMATED GROSS PROFIT ON CONTRACTS IN PROGRESS:

Costs incurred to date, estimated earnings and the related billings to date of contracts in progress at December 31, 1998, are shown below:

	DECEMBER 31, 1998

Costs incurred on contracts in progress	\$334,587
Estimated earnings	234,805

Contract revenue earned to date	569,392
Less progress billings to date	95,195

	\$474,197
	=====

This amount is included in the accompanying balance sheet at December 31, 1998, under the following caption:

	DECEMBER 31, 1998

Costs and estimated earnings in excess of billings on contracts in progress	\$ 474,197
	=====

5. LINE OF CREDIT:

The Company has obtained advances of \$357,030 as of December 31, 1998 under a revolving line of credit in the amount of \$450,000. The line is secured by substantially all of the Company's assets and is guaranteed by the Company's sole stockholder. The terms of the line of credit provide for interest to accrue on the outstanding balance at the bank's prime rate plus 1.5% and expires on April 26, 1999. In addition, there are other covenants and restrictions, with which the Company has complied.

6. LONG-TERM DEBT:

Long-term debt as of December 31, 1998 consists of the following:

	INTEREST RATE	PAYABLE	
		WITHIN ONE YEAR	AFTER ONE YEAR
Note payable to former stockholder, unsecured, monthly principal and interest payments of \$12,827	8.0%	\$155,461	\$ 62,870
Notes payable, secured by equipment, aggregate monthly principal and interest payments of \$2,239	2.9% - 8.5%	21,847	64,769
Notes payable, secured by all corporate assets, aggregate monthly principal payments of \$13,250 plus interest	10.0% - 10.5%	159,000	276,250
		<u>\$336,308</u>	<u>\$403,889</u>
		=====	=====

Aggregate maturities of long-term debt over the next five years are as follows:

YEAR ENDING DECEMBER 31, :	AMOUNT
-----	-----
1999	\$ 336,308
2000	245,097
2001	108,908
2002	44,019
2003	5,865

	\$ 740,197
	=====

7. LEASE COMMITMENTS:

CAPITAL LEASE OBLIGATIONS

Included in leasehold improvements and equipment are assets held under capital leases as follows:

Equipment	\$ 67,405
Less accumulated depreciation	27,801

	\$ 39,604
	=====

Future minimum lease payments are as follows:

Year Ending December 31, :	

1999	\$ 25,344
2000	7,770

Total minimum lease payments	33,114
Less amount representing interest	2,098

Total obligations under capital lease	31,016
Less current portion	23,492

Noncurrent portion of obligations	\$ 7,524
	=====

FACILITY LEASE

On April 1, 1997, the Company entered into a facility lease. During the first year of the two year lease term, the lease commitment was \$22,716, and increased in the second year to \$23,546. Total rental expense under this lease was approximately \$23,395 for the year ended December 31, 1998.

Future minimum rental payments under the facility lease are as follows:

	DECEMBER 31, 1998 -----
1999	\$ 5,887 =====

OPERATING LEASES

The Company leases automotive equipment under long-term operating leases. Lease expense relating to these operating leases, included in general and administrative expenses amounted to \$6,547 for the year ended December 31, 1998.

The minimum lease payments over the next two years are as follows:

	DECEMBER 31, 1998 -----
1999	\$ 6,547
2000	2,728
	----- \$ 9,275 =====

8. INCOME TAXES:

Income tax expense for the year ended December 31, 1998 is reconciled to the federal statutory rate as follows:

Federal tax at statutory rate	\$ 138,944
State income taxes, net of federal benefit	8,060
Tax bracket rate differential	(16,126)
Permanent differences	2,004
Other	24,060
	----- \$ 156,942 =====

Income tax expense consists of the following:

	FEDERAL -----	STATE -----	TOTAL -----
Current tax expense	\$ --	\$ 12,212	\$ 12,212
Deferred tax expense	120,397	24,333	144,730
	----- \$120,397	----- \$ 36,545	----- \$156,942 =====

The tax effects of temporary differences and carryforwards that give rise to deferred tax liabilities (assets) consist of the following:

Deferred accounts receivable and underbillings on construction contracts	\$ 700,617
Deferred accounts payable	(114,637)
Excess of accumulated tax depreciation over accumulated book depreciation	18,350
State income taxes net of federal benefit	(53,909)
Federal and California AMT credit carryforwards	(14,909)
Other	157,126

Total deferred tax liability (asset)	\$ 692,638
	=====

The deferred tax liability of \$707,547 at December 31, 1998, classified as a current liability, resulted primarily from deferred accounts receivable, underbillings, and the use of accelerated depreciation for tax purposes. The deferred tax asset of \$14,909, classified as a noncurrent asset, resulted primarily from state income taxes, deferred accounts payable, and AMT credit carryforwards.

9. STOCK REDEMPTION:

On June 30, 1998, the Company redeemed 50% of the outstanding stock (100 shares) of the Company. Under the terms of the redemption agreement, the Company issued a note payable due to the former stockholder in the amount of \$285,182, cash of \$6,182, and \$220,649 in certain fixed assets, including the associated note payable obligations of \$93,818.

10. CONTRACT BACKLOG:

The following schedule is a reconciliation of contract backlog representing signed contracts as of December 31, 1998:

Balance, January 1, 1998	\$ 241,825
Contract adjustments and new contracts awarded	5,970,868

Subtotal	6,212,693
Less contract revenue earned	6,010,792

Balance, December 31, 1998	\$ 201,901
	=====

11. PRIOR PERIOD ADJUSTMENT:

Certain errors, resulting in both the overstatement and understatement of previously reported liabilities and expenses of the prior year, were corrected this year. This resulted in the following changes to retained earnings as of December 31, 1997 and the related statement of income for the year then ended.

	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	NET INCOME
	-----	-----	-----
As previously reported	\$ 24,655	\$ 721,179	\$ 721,979
Understatement of inventory	216,110	--	--
Understatement of insurance expense	--	(29,426)	(29,426)
	-----	-----	-----
As adjusted	\$ 240,765	\$ 691,753	\$ 692,553
	=====	=====	=====

12. SUBSEQUENT EVENT:

On April 15, 1999, all of the Company's common stock was sold to an unrelated purchaser and the Company became a subsidiary of Integrated Electrical Services, Inc.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(A) FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED

The Company believes that it is impractical to provide financial statements of the Significant Acquisition on the date of this filing, and will, if required, file such financial statements when available but not later than 60 days after the date on which this Current Report on Form 8-K must be filed.

(B) PRO FORMA FINANCIAL INFORMATION

The Company believes that it is impractical to provide pro forma financial information reflecting the Significant Acquisition, and will, if required, file such financial information when available but not later than 60 days after the date on which this Current Report on Form 8-K must be filed.

(c) EXHIBITS

2.1 Agreement and Plan of Merger dated as of April 29, 1999 among Integrated Electrical Services, Inc., Putzel Acquisition Corporation, Putzel Electrical Contractors, Inc., and Morris Purcel.

23.1 Consent of S. J. Gallina & Co., LLP

23.2 Consent of Larson, Allen, Weishair & Co., LLP

23.3 Consent of S. J. Gallina & Co., 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

EXHIBIT NUMBER -----	DESCRIPTION -----
2.1	Agreement and Plan of Merger dated as of April 29, 1999 among Integrated Electrical Services, Inc., Putzel Acquisition Corporation, Putzel Electrical Contractors, Inc., and Morris Purcel.
23.1	Consent of S. J. Gallina & Co., LLP
23.2	Consent of Larson, Allen, Weishair & Co., LLP
23.3	Consent of S. J. Gallina & Co., LLP

AGREEMENT AND PLAN OF MERGER
DATED AS OF
APRIL 29, 1999
AMONG
INTEGRATED ELECTRICAL SERVICES, INC.,
PUTZEL ACQUISITION CORPORATION,
PUTZEL ELECTRICAL CONTRACTORS, INC.
AND
MORRIS PURCEL

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER ("Agreement") dated as of April 29, 1999 among Integrated Electrical Services, Inc., a Delaware corporation ("IES"), Putzel Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of IES ("Acquisition"), Putzel Electrical Contractors, Inc., a Georgia corporation ("Company"), and Morris Purcel, who is the sole stockholder of the Company (the "Company Stockholder").

RECITALS:

WHEREAS, the Boards of Directors of IES and the Company have determined that the combination of IES and the Company is in the best interests of the stockholders of IES and the Company, respectively;

WHEREAS, the Company Stockholder desires to enter into an exchange with IES of all of the issued and outstanding shares of capital stock of the Company, free and clear of all liens, and the Company Stockholder agrees to be bound by a covenant not to compete;

WHEREAS, IES desires to acquire such shares of capital stock of the Company as more fully set forth herein and enforce the covenant not to compete;

WHEREAS, IES, the Company and the Company Stockholder intends the combination of IES and the Company to qualify as a tax-free reorganization under the provisions of Section 368 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

THE MERGER

THE MERGER. (a) At the closing of the transactions contemplated by this Agreement (the "Closing") and after delivery of the documents listed in Section 1.6, at the Effective Time (as hereinafter defined) the Company shall be merged (the "Merger") with and into Acquisition in accordance with the General Corporation Law of the State of Delaware ("Delaware Law") and the Georgia Business Corporation Code of the State of Georgia ("Georgia Law"), whereupon the separate existence of the Company shall cease, and Acquisition shall be the surviving corporation (the "Surviving Corporation").

(b) Immediately following the delivery of the documents listed in Section 1.6, the Company and Acquisition will file a certificate of merger (the "Certificates of Merger") with the Delaware Secretary of State and the Georgia Secretary of State and make all other filings or recordings required by Delaware Law and Georgia Law in connection with the Merger. The Merger shall become effective at such time (the "Effective Time") as the Certificates of Merger are duly filed with the Delaware Secretary of State and the Georgia Secretary of State (or at such later time as may be agreed in writing by the parties hereto and specified in the Certificates of Merger).

(c) From and after the Effective Time, the Surviving Corporation shall possess all the rights, assets, powers, privileges, and franchises and be subject to all of the obligations, liabilities, restrictions, and disabilities of the Company and Acquisition, all as provided under Delaware Law.

(d) The Closing of the transactions shall take place at the offices of IES in Houston, Texas, at 9:00 a.m., on April 29, 1999.

(e) The Certificates of Merger shall include a provision for changing the name of the Surviving Corporation to Putzel Electrical Contractors, Inc., if such name is available and can be obtained from the respective states.

CONVERSION OF SHARES. At the Effective Time:

(a) the shares of common stock Class "A", \$100.00 par value, and the shares of common stock Class "B", no par value, of the Company ("Company Common Stock") outstanding immediately prior to the Effective Time shall be converted into the right to receive, without interest, an aggregate of 589,060 shares of common stock, \$0.01 par value, of IES ("IES Common Stock") and cash consideration of \$10,500,000 (collectively, the "Merger Consideration"); and

(b) each share of common stock of Acquisition outstanding immediately prior to the Effective Time shall be converted into and become one share of common stock of the Surviving Corporation with the same rights, powers, and privileges as the shares so converted and shall constitute the only outstanding shares of capital stock of the Surviving Corporation.

SURRENDER AND PAYMENT. At the Effective Time, the Company Stockholder will deliver to IES the certificates listed on Schedule 3.2(a) (the "Certificates") representing all of the outstanding shares of Company Common Stock, and IES will deliver, in exchange therefor, the Merger Consideration to the Company Stockholder in accordance with the written instructions provided in Schedule 3.2(a). The Certificates will be duly endorsed (or accompanied by a duly executed stock power), with the signature of the Company Stockholder, if not present at the Closing of the Merger, guaranteed by a commercial bank or by a member firm of the New York Stock Exchange.

WITHHOLDING RIGHTS. Each of the Surviving Corporation and IES shall be entitled to deduct and withhold from the consideration otherwise payable to any Person (as defined in Section 10.15) pursuant to this Article I such amounts as it is required to deduct and withhold with respect to the making of such payment under any provision of federal, state, local, or foreign tax law. To the extent that amounts are so withheld by the Surviving Corporation or IES, as the case may be, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Company Common Stock in respect of which such deduction and withholding was made by the Surviving Corporation or IES, as the case may be.

SECTION 1.5. LOST CERTIFICATES. If any Certificate shall have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen, or destroyed and, if required by the Surviving Corporation, the posting by such Person of a bond, in such reasonable amount as the Surviving Corporation may direct, as indemnity against any claim that may be made against it with respect to such Certificate, IES will issue in exchange for such lost, stolen, or destroyed Certificate the Merger Consideration to be paid in respect of the shares of Company Common Stock represented by such Certificate as contemplated by this Article I.

SECTION 1.6. OTHER DOCUMENTS TO BE DELIVERED IMMEDIATELY PRIOR TO THE EFFECTIVE TIME.

(a) At the Closing and immediately prior to the Effective Time, the Company and the Company Stockholder will deliver to IES:

(i) Employment Agreement (the "Employment Agreement"), in the form attached hereto as EXHIBIT A, for the following employee of the Company: Morris Purcel;

(ii) an opinion of counsel to the Company Stockholder in the form attached hereto as EXHIBIT B;

(iii) a Certificate of the Secretary of the Company in the form attached hereto as EXHIBIT C;

(iv) a release executed by the Company Stockholder in the form attached hereto as EXHIBIT D;

(v) the resignation of the director of the Company in the form attached hereto as EXHIBIT E;

(vi) the minute book and corporate seal of the Company;

(vii) letters from the affiliates of the Company in the form attached hereto as EXHIBIT F;

(viii) receipts executed by the Company Stockholder in the form attached hereto as EXHIBIT G; and

(ix) a cross-receipt executed by the Company Stockholder in the form attached hereto as EXHIBIT H, which shall be delivered immediately following the Effective Time.

(b) At the Closing and immediately prior to the Effective Time, IES will deliver to the Company Stockholder:

(i) the Employment Agreement executed by a duly authorized representative of IES on behalf of the Surviving Corporation for the employee listed in Section 1.6(a)(i) above;

(ii) an opinion of John F. Wombwell, Esq., Senior Vice President, General Counsel and Secretary of IES in the form attached hereto as EXHIBIT I; and

(iii) a cross-receipt executed by IES in the form attached hereto as EXHIBIT H, which shall be delivered immediately following the Effective Time.

SECTION 1.7. CONDITIONS TO THE OBLIGATIONS OF THE COMPANY STOCKHOLDER. The obligations of the Company Stockholder to consummate the Merger are subject to the fulfillment, at or before the Closing, of all of the following conditions, any one or more of which may be waived by the Company Stockholder:

(a) The representations and warranties of IES contained in this Agreement shall be true as of the Closing.

(b) All of the obligations of IES to be performed at or before the Closing pursuant to the terms of this Agreement shall have been duly performed.

(c) The documents necessary to consummate the Merger shall have been filed with the Secretary of State of Delaware and the Secretary of State of Georgia.

SECTION 1.8. CONDITIONS TO THE OBLIGATIONS OF IES. The obligations of IES to consummate the Merger are subject to the fulfillment, at or before the Closing of all of the following conditions, any one or more of which may be waived by IES:

(a) The representations and warranties of the Company Stockholder contained in this Agreement shall be true as of the Closing, subject to changes in the Schedules that have been approved in writing by IES.

(b) All of the obligations of the Company and the Company Stockholder to be performed at or before the Closing pursuant to the terms of this Agreement shall have been duly performed, including, without limitation, those set forth in Article I hereof.

(c) The documents necessary to consummate the Merger shall have been filed with the Secretary of State of Delaware and the Secretary or State of Georgia.

SECTION 1.9. TERMINATION. (a) This Agreement may be terminated at any time prior to the Closing solely:

(i) by mutual consent of IES and the Company Stockholder;

(ii) by the Company Stockholder, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing or waiver of such default shall not have been made on or before the Closing.

(b) The termination of this Agreement will in no way limit any obligation or inability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal costs and out-of-pocket expenses.

ARTICLE II

The Surviving Corporation

SECTION 2.1. CERTIFICATE OF INCORPORATION. The certificate of incorporation of Acquisition in effect at the Effective Time shall be the certificate of incorporation of the Surviving Corporation until amended in accordance with applicable law.

SECTION 2.2. BYLAWS. The bylaws of Acquisition in effect at the Effective Time shall be the bylaws of the Surviving Corporation until amended in accordance with applicable law.

SECTION 2.3. DIRECTORS AND OFFICERS. From and after the Effective Time, until successors are duly elected or appointed and qualified in accordance with applicable law, (i) the director of Acquisition at the Effective Time shall be the sole director of the Surviving Corporation and (ii) the officers of the Surviving Corporation shall be as set forth on Schedule 2.3 hereto.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY STOCKHOLDER

The Company Stockholder represents and warrants to IES as follows upon execution of this Agreement and as of the Effective Time:

SECTION 3.1. ORGANIZATION AND QUALIFICATION. The Company is a corporation duly organized, validly existing, and in good standing under the laws of the state of its incorporation and has the requisite corporate power to carry on its business as it is now being conducted. The Company is duly qualified to conduct business as a foreign corporation in every state of the United States in which its ownership or lease of property or the conduct of its business and operations makes such qualification necessary, except for such states in which the Company's failure to be so qualified is not reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect (as defined in Section 10.15). Schedule 3.1 contains a list of all jurisdictions in which the Company is authorized or qualified to do business. The Company has heretofore delivered to IES true and complete copies of the articles of incorporation and bylaws of the Company in each instance including any amendments thereto, as currently in effect.

SECTION 3.2. CAPITALIZATION; OWNERSHIP. (a) The authorized capital stock of the Company consists of 500 shares of Class "A" common stock and 1000 shares of Class "B" common stock, of which 250 shares of Class "A" common stock and 298 shares of Class "B" common stock are issued and outstanding (the "Company Shares"). The Company Shares are all of the issued and outstanding shares of capital stock of the Company and have been duly authorized and validly issued and are fully paid and nonassessable and free of preemptive rights. There are not, as of the date hereof, any outstanding or authorized subscriptions, options, warrants, calls, rights, commitments, or any other agreements of any character (any of the foregoing, a "Commitment") obligating the Company to issue any additional shares of capital stock of the Company, or any other securities convertible into or evidencing the right to subscribe for any shares of capital stock of the Company. The Company Stockholder owns the number of shares of Company Common Stock set forth on Schedule 3.2(a) attached hereto, free and clear of all Liens (as defined in Section 10.15).

The Company Stockholder has full legal right, power and authority to exchange, assign and transfer or cause to be exchanged, assigned or transferred his shares of Company Common Stock. The delivery to IES of the Company Shares pursuant to the terms of this Agreement will transfer valid title thereto, free and clear of all Liens. The Company Stockholder does not or will not have appraisal or similar rights as a result of the consummation of the transactions contemplated by this Agreement.

(b) The Company has no subsidiaries.

SECTION 3.3. AUTHORIZATION. The Company has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement. The Company Stockholder and the Board of Directors of the Company have by unanimous written consent (a) determined that participating in the Merger is in the best interests of the Company and its stockholders and (b) approved this Agreement and the Merger. No other corporate proceedings on the part of the Company or the Company Stockholder are necessary to authorize the execution and delivery of this Agreement or the consummation by the Company and the Company Stockholder of the transactions contemplated hereby. This Agreement has been duly authorized, executed, and delivered by the Company and the Company Stockholder and constitutes the valid and binding obligation of the Company and the Company Stockholder, enforceable against the Company and the Company Stockholder in accordance with its terms.

SECTION 3.4. CONSENTS AND APPROVALS; NO VIOLATION. Neither the execution and delivery of this Agreement by the Company or the Company Stockholder, nor the consummation by the Company or the Company Stockholder of the transactions contemplated by this Agreement, will: (a) require any consent, approval, authorization, or permit of, or filing with or notification to, any Governmental Authority (as defined in Section 10.15), except (i) the filing of the Certificates of Merger in accordance with Delaware Law and Georgia Law, (ii) any regulatory approvals or routine governmental consents normally acquired after the consummation of transactions such as transactions of the nature contemplated by this Agreement, which consents and approvals are listed on Schedule 3.4, or (iii) where the failure to obtain such consent, approval, authorization, or permit, or to make such filing or notification, is not reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect or prevent or delay, in any material respect, the consummation of the transactions contemplated by this Agreement; (b) result in a default (or give rise to any right of termination, cancellation, or acceleration) under any of the terms, conditions, or provisions of any contract, commitment or similar agreement to which the Company is a party, except (i) as set forth on Schedule 3.4 or (ii) for such defaults (or rights of termination, cancellation, or acceleration) as to which requisite waivers or consents have been obtained or which are not reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect or prevent or delay, in any material respect, the consummation of the transactions contemplated by this Agreement; or (c) assuming compliance with the matters referred to in Section 3.4(a), violate any order, writ, injunction, decree, statute, rule, or regulation applicable to the Company or any of their assets, except for violations which are not reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect or prevent or delay, in any material respect, the consummation of the transactions contemplated by this Agreement. The Company is not, and the consummation of the transactions contemplated by this Agreement will not result, in violation of its Articles of Incorporation or Bylaws.

SECTION 3.5. AFFILIATE RELATIONSHIPS. Except as set forth on Schedule 3.5, neither the Company Stockholder nor any affiliate of the Company Stockholder, and no director, officer, employee or agent of or consultant to the Company, owns, directly or indirectly, in whole or in part, any property, assets or right, tangible or intangible, which is associated with any property, asset or right owned by the Company or which the Company is operating or using or the use of which is necessary for its business. Also included in Schedule 3.5 is disclosure of any relationships which the Company Stockholder has, or any director, officer, employee, or agent of or consultant to the Company has, with the Company or any other corporation, partnership, firm, association or business organization, entity or enterprise which is a competitor, potential competitor, supplier or customer of the Company. The Persons named on Schedule 3.5 are the only Persons who may be deemed affiliates of the Company under Rule 145 of the Securities Act of 1933, as amended (the "1933 Act").

SECTION 3.6. FINANCIAL STATEMENTS. Attached as Schedule 3.6 are (a) the audited consolidated balance sheet, statement of income and statement of cash flows of the Company as of and for the years ended December 31, 1996 and 1997 and the audited consolidated balance sheet, statement of income and statement of cash flows of the Company as of and for the year ended December 31, 1998 (collectively, the "Company Financial Statements"). The Company Financial Statements present fairly the consolidated financial position, results of operations, and changes in financial position of the Company as of the respective dates or for the respective periods to which they apply in accordance with United States generally accepted accounting principles, consistently applied ("GAAP").

SECTION 3.7. UNDISCLOSED LIABILITIES. Schedule 3.7 sets forth an accurate list as of the Company Audited Balance Sheet Date (as defined below) of (i) all liabilities of the Company which are reflected in the balance sheet contained in the Company Financial Statements and (ii) any liabilities of any kind of the Company which are not reflected in the balance sheet included in the Company Financial Statements. Except as set forth on Schedule 3.7 or as reflected, reserved against, or otherwise disclosed in the Company Financial Statements, the Company has not, at the date of the last balance sheet included in the Company Financial Statements (the "Company Audited Balance Sheet Date") and do not have, at the date hereof, any liabilities or obligations, whether accrued, contingent, absolute, determined, determinable or otherwise, that may have, individually or in the aggregate, a Company Material Adverse Effect.

SECTION 3.8. ACCOUNTS AND NOTES RECEIVABLES. Schedule 3.8 sets forth an accurate list as of the Company Audited Balance Sheet Date of the accounts and notes receivable of the Company, including receivables from and advances to employees of the Company and the Company Stockholder. Included in Schedule 3.8 is an aging of all accounts and notes receivable showing amounts due in 30-day aging categories. The trade and other accounts receivable of the Company which are classified as current assets on the balance sheet as of the Company Audited Balance Sheet Date are bona fide receivables, were acquired in the ordinary course of business, are stated in accordance with GAAP and, subject to the reserve for doubtful accounts, need not be written-off as uncollectible. Except to the extent reflected on Schedule 3.8, such accounts and notes are collectible in the amounts shown on Schedule 3.8.

SECTION 3.9. ASSETS. Schedule 3.9 sets forth an accurate list of all real and personal property included in "property and equipment" on the balance sheet of the Company as of the Company Audited Balance Sheet Date and all other tangible assets of the Company with a value in excess of \$5,000 (i) owned by the Company as of the Company Audited Balance Sheet Date and (ii) acquired since the Company Audited Balance Sheet Date, including in each case true, complete and correct copies of leases for significant equipment and for all real property leased by the Company and descriptions of all real property on which buildings, warehouses, workshops, garages and other structures used in the operation of the business of the Company are situated. Schedule 3.9 indicates which assets are currently owned, or were formerly owned, by the Company Stockholder or affiliates of the Company or the Company Stockholder. Except as specifically identified on Schedule 3.9, all of the tangible assets, vehicles and other significant machinery and equipment of the Company listed on Schedule 3.9 are in good working order and condition, ordinary wear and tear excepted, and have been maintained in accordance with standard industry practices. All fixed assets used by the Company that are material to the operation of the Company's business are either owned by the Company or leased under an agreement identified on Schedule 3.9. All leases set forth on Schedule 3.9 are in full force and effect and constitute valid and binding agreements of the parties thereto in accordance with their respective terms.

Schedule 3.9 contains true, complete and correct copies of all title reports and title insurance policies received or owned by the Company. Schedule 3.9 also includes a summary description of all plans or projects involving the opening of new operations, expansion of existing operations or the acquisition of any real property or existing business, to which management of the Company has devoted effort or expenditure in the two-year period prior to the date of this Agreement, which if pursued by the Company would require additional expenditures of capital.

The Company has good and indefeasible title to the tangible and intangible personal property and the real property owned and used in their business, including the properties identified on Schedule 3.9, subject to no mortgage, pledge, lien, claim, conditional sales agreement, encumbrance or charge, except for liens reflected on Schedule 3.9, liens for current taxes not yet payable and assessments not in default, easements for utilities serving only the property, and easements, covenants and restrictions and other exceptions to title shown of record in the appropriate public records in the jurisdictions in which the properties, assets and leasehold estates are located, which do not adversely affect the Company's use of the property.

SECTION 3.10. MATERIAL CONTRACTS, COMMITMENTS AND CUSTOMERS. Schedule 3.10 sets forth an accurate list as of the Company Audited Balance Sheet Date of (i) all material contracts, commitments and similar agreements to which the Company is a party or by which they or any of their property is bound (including, but not limited to, joint venture or partnership agreements, contracts with any labor organizations, loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements) and the Company Stockholder has delivered true copies of such agreements to IES and (ii) all customers representing 5% or more of the Company's revenues, taken as a whole, in any of the periods covered by the Company Financial Statements. Except as disclosed on Schedule 3.10, all such agreements are in full force and effect and none of such contracts or agreements unduly burdens or restricts the Company in the ordinary course of its business. The Company's customers or suppliers have not canceled service or products in relation to existing contracts, as appropriate. Except to the extent set forth on Schedule 3.10, (i)

the Company has complied with all material commitments and obligations and are not in default under any contracts and agreements and no notice of default has been received and (ii) none of the Company's customers listed pursuant to (ii) above has canceled or substantially reduced or is currently attempting or threatening to cancel or substantially reduce its use of the Company's products or services. Except as set forth on Schedule 3.10, the Company is not now, nor has ever been, a party to any contract subject to price redetermination or renegotiation.

SECTION 3.11. OPERATING AUTHORITY. The Company possess all material governmental licenses, permits, franchises, and other authorizations of any Governmental Authority ("Licenses") that are necessary to the ownership or operation of their business as currently conducted, and all such Licenses are in full force and effect, except where the failure to possess any License or the failure to be in full force and effect is not reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect, the Company is not in default in any respect relating thereto. No proceeding is pending or, to the Company Stockholder's Knowledge, is threatened seeking the revocation or limitation of any such License that is reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Schedule 3.11 sets forth an accurate list and summary description as of the Company Audited Balance Sheet Date of all Licenses, certificates, trademarks, trade names, patents, patent applications and copyrights related to the assets owned or held by the Company. The Licenses and other rights listed on Schedule 3.11 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 3.11 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 3.11, the consummation of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

SECTION 3.12. BANK ACCOUNT INFORMATION. Schedule 3.12 contains an accurate list of the names and addresses of every bank and other financial institution in which the Company maintains an account (whether checking, savings or otherwise), lock box, or safe deposit box, and the account numbers and persons having signature authority or legal access thereto.

SECTION 3.13. CONDUCT OF BUSINESS SINCE COMPANY AUDITED BALANCE SHEET DATE. Except as expressly contemplated by this Agreement and except as set forth on Schedule 3.13, since the Company Audited Balance Sheet Date, (a) the business and operations of the Company have been conducted in the ordinary and usual course in all material respects in accordance with past practices, (b) the Company has not paid or declared any dividend on, or made any distribution with respect to, or purchased or redeemed any of its capital stock or paid any bonus to the Company Stockholder and (c) no Company Material Adverse Effect has occurred and is continuing.

SECTION 3.14. LITIGATION; ORDERS. Except as set forth on Schedule 3.14, as of the date hereof, there are no Actions pending or, to the Company Stockholder's Knowledge, threatened against the Company. Except as set forth on Schedule 3.14, as of the date hereof there are no judgments or outstanding orders, injunctions, decrees, stipulations, or awards (whether rendered by a court or administrative agency or by arbitration) against the Company.

SECTION 3.15. LABOR MATTERS. Except as set forth on Schedule 3.15, there are no agreements with labor unions or associations representing employees of the Company. No material work stoppage against the Company is pending or, to the Company Stockholder's Knowledge, threatened. The Company has not been or is not involved in or, to the Company Stockholder's Knowledge, is threatened with any labor dispute, arbitration, lawsuit, or administrative proceeding relating to labor matters involving the employees of the Company (excluding routine workers' compensation claims) that is reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect.

SECTION 3.16. COMPLIANCE WITH LAWS. The conduct of the business by the Company complies with all statutes, laws, regulations, ordinances, rules, judgments, orders, or decrees applicable thereto (other than Environmental Laws (as hereinafter defined) which are governed solely by Section 3.18), except for violations or failures so to comply, if any, that would not have, individually or in the aggregate, a Company Material Adverse Effect.

SECTION 3.17. INSURANCE. Schedule 3.17 sets forth a list of all insurance policies issued in favor of the Company which relate to their businesses, and all such policies are currently in force and effect. True and complete copies of all such policies have been delivered to IES. A true and complete list of all insurance loss runs and workers' compensation claims received for the past three (3) policy years has been delivered to IES. The insurance carried by the Company, which the Company Stockholder believes to be adequate in character and amount, is with financially sound and reputable insurers unaffiliated with the Company Stockholder or the Company. None of such policies is a "claims made" policy. All insurance policies carried by the Company are currently in full force and effect. The Company's insurance has never been canceled, and the Company has never been denied coverage or experienced a substantial increase in premiums or substantial reduction in coverage from one policy period to the next period.

SECTION 3.18. ENVIRONMENTAL MATTERS. Other than violations that would not have, individually or in the aggregate, a Company Material Adverse Effect, the Company is in compliance with all applicable Environmental Laws. Without limitation of the foregoing, there are no past, existing, pending or, to the Company Stockholder's Knowledge, threatened actions, suits, investigations, inquiries, proceedings or clean-up obligations by or to any Governmental Authority relating to any Environmental Laws with respect to the Company, except for actions, suits, investigations, inquiries, proceedings, and obligations that would not have, individually or in the aggregate, a Company Material Adverse Effect. To the Company Stockholder's Knowledge (i) there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 3.18 and (ii) there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company. Neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law. All notices, permits, or similar authorizations, if any, required to be obtained or filed in connection with the

operations of the Company, including, without limitation, treatment, storage, disposal, or release of a hazardous substance or solid waste into the environment, have been duly obtained or filed, other than any such notices, permits, or similar authorizations the failure of which to obtain or file is not reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect. The term "release" has the meaning specified in CERCLA (as hereinafter defined), and the term "disposal" (or "disposed") has the meaning specified in RCRA (as hereinafter defined). For the purposes hereof, "Environmental Laws" shall mean any and all laws, statutes, ordinances, rules, regulations, orders, or determinations of any Governmental Authority pertaining to the environment in effect on the date of this Agreement and in effect at such time in any and all jurisdictions in which the Company operates, including, without limitation, the Clean Air Act, as amended, the Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), the Federal Water Pollution Control Act, as amended, the Resource Conservation and Recovery Act, as amended ("RCRA"), the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, comparable state and local laws and other material environmental protection laws in effect on the date of this Agreement. Schedule 3.18 lists all disposal sites that the Company has utilized as of the Company Audited Balance Sheet Date.

SECTION 3.19. TAXES. (a) (i) Except as set forth on Schedule 3.19, the Company has filed when due all Company Returns (as defined in Section 10.15), and have, except for Taxes that are being contested in good faith and set forth on Schedule 3.19, timely paid and discharged all Tax obligations shown thereon and adequate reserves have been established on the books of the Company for all Taxes for which the Company is liable but payment is not yet due, (ii) the Company Returns correctly and accurately reflect the facts regarding the income, business and assets, operations, activities, status, or other matters of the Company, and any other information required to be shown thereon, and are not subject to penalties under Section 6662 of the Code, relating to accuracy-related penalties, or any corresponding provision of applicable state, local, or foreign Tax law or any predecessor provision of law, and (iii) the Company has not received any notice of any Tax deficiency outstanding, proposed, or assessed against or allocable to it, or has not either executed any waiver of any statute of limitations on the assessment or collection of any Tax, or executed or filed with the Internal Revenue Service or any other governmental agency any agreement now in effect extending the period for assessment or collection of any Taxes against the Company. No liens for Taxes exist upon the assets of the Company except liens for Taxes that are not yet due. The Company is not and never has been, subject to Tax in any jurisdiction outside the United States. No litigation with respect to any Tax for which the Company is asserted to be liable is pending or, to the Knowledge of the Company or the Company Stockholder, threatened, and no basis which the Company or the Company Stockholder believes to be valid exists on which any claim for any such Tax can be asserted against the Company. There are no requests for rulings or determinations in respect of any Taxes pending between the Company and any taxing authority. No issues have been raised and remain pending by any taxing authority in connection with the examination of any return of the Company. All deficiencies asserted and assessments made, if any, as a result of or in connection with any examination have been paid in full or are fully reflected as a liability in the financial statements. The Company is not and never has been party to any Tax allocation or sharing agreement. All amounts required to be withheld by the Company and paid to governmental agencies for income, social security, unemployment insurance, sales, excise, use and other Taxes have been collected or withheld and paid to the proper taxing authority. For purposes of this Agreement, "Tax" or "Taxes" means taxes of any kind, levies, or other like assessments,

customs, duties, imposts, charges, or fees, including, without limitation, income, gross receipts, ad valorem, value added, excise, real or personal property, asset, sales, use, license, payroll, transaction, capital, net worth and franchise taxes, estimated taxes, withholding, employment, social security, workers compensation, utility, severance, production, unemployment compensation, occupation, premium, windfall profits, transfer, and gains taxes or other governmental taxes imposed or payable to the United States, or any state, county, local, or foreign government or subdivision or agency thereof, and in each instance such term shall include any interest, penalties, or additions to tax attributable to or imposed with respect to any such Tax, including penalties for the failure to file any Tax return or report.

(b) The Company has never been a member of an affiliated group of corporations, within the meaning of Section 1504 of the Code, other than as a common parent corporation.

(c) None of the assets of the Company is property that the Company is required to treat as being owned by any other Person pursuant to the "safe harbor lease" provisions of former Section 168(f)(8) of the Code.

(d) None of the assets of the Company directly or indirectly secures any debt the interest on which is tax-exempt under Section 103(a) of the Code.

(e) None of the assets of the Company is "tax-exempt use property" within the meaning of Section 168(h) of the Code.

(f) the Company has not agreed to make, nor is required to make, any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise.

(g) the Company has not participated in, nor will any of them participate in, an international boycott within the meaning of Section 999 of the Code.

(h) the Company has not or have not had a permanent establishment in any foreign country, as defined in any applicable tax treaty or convention between the United States and such foreign country.

(i) the Company has not filed a consent pursuant to the collapsible corporation provisions of Section 341(f) of the Code (or any corresponding provision of state, local, or foreign income tax law) or agreed to have Section 341(f)(2) of the Code (or any corresponding provision of state, local, or foreign income tax law) apply to any disposition of any asset owned by it.

(j) Neither the Company nor the Company Stockholder is a "foreign person" as that term is defined in Section 1445(f)(3) of the Code.

(k) The Company has not made, is not obligated to make and is not a party to any agreement that would require it to make any payment that is not deductible under Section 280G of the Code.

(l) No asset of the Company is subject to any provision of applicable law that eliminates or reduces the allowance for depreciation or amortization in respect of that asset below the allowance generally available to an asset of its type.

(m) The Company is an "S corporation" as that term is defined in Section 1361(a)(1) of the Code and has not incurred any federal income tax liabilities since March 31, 1987.

SECTION 3.20. EMPLOYEE BENEFIT PLANS. (a) Schedule 3.20 contains a list of all "employee pension benefit plans" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) (sometimes referred to herein as "Company Pension Plans"), "employee welfare benefit plans" (as defined in Section 3(1) of ERISA), stock option, stock purchase, incentive, bonus, deferred compensation plans or arrangements, vacation, change in control, stay-on bonus plans or arrangements, and other material employee compensation and fringe benefit plans or agreements, maintained, contributed to, or pursuant to which the Company has or may have any liability, whether or not heretofore terminated (all the foregoing being herein called "Company Benefit Plans"). The Company has delivered to IES an accurate list (which is set forth on Schedule 3.20) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) December 31, 1998 and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 3.20. Since December 31, 1998, except as disclosed on Schedule 3.20, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices. The Company has made available to IES true, complete, and correct copies of (1) each Company Benefit Plan and any subsequently adopted amendments thereto (or, in the case of unwritten Company Benefit Plans, descriptions thereof), (2) the most recent annual report on Form 5500 filed with respect to each Company Benefit Plan (if any such report was required), (3) the most recent summary plan description for each Company Benefit Plan for which such a summary plan description is required (with all summaries of material modifications provided after the most recent summary plan description was distributed), (4) each trust agreement, group annuity contract and service agreement relating to any Company Benefit Plan and (5) each favorable determination letter from the Internal Revenue Service with respect to each Company Benefit Plan that is intended to be qualified under Section 401(a) of the Code.

(b) All Company Benefit Plans are and have been administered in compliance with their terms and all applicable laws, including, without limitation, ERISA and the Code, except where the failure to so administer the Company Benefit Plans or to comply with such laws would not have, individually or in the aggregate, a Company Material Adverse Effect. There are no pending or, to the Company Stockholder's Knowledge, threatened investigations by any governmental entity, termination proceedings, or other suits or proceedings against or involving any Company Benefit Plan. All such plans that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 3.20. Except as disclosed on Schedule 3.20, all reports and other documents required to be filed with any

governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 3.20 hereof.

(c) All contributions to, and payments from, the Company Benefit Plans required to be made in accordance with the Company Benefit Plans or applicable law have been timely made. All accrued contribution obligations of the Company with respect to any Company Benefit Plan have either been fulfilled in their entirety or are fully reflected on the balance sheet in the Company Financial Statements.

(d) No Company Benefit Plan is subject to Section 302 or Title IV of ERISA or Section 412 of the Code or is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA or a "multiple employer's plan" within the meaning of Section 413 of the Code.

(e) (i) No "prohibited transaction" (under Section 4975 of the Code or Section 406 of ERISA) has occurred with respect to any Company Benefit Plan and (ii) there has been no breach of any fiduciary duty with respect to any Company Benefit Plan, other than, in the case of (i) and (ii), those that are not reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(f) the Company does not maintain or contribute to any Company Benefit Plan that could not be unilaterally terminated by the Company at any time without liability.

(g) Except as set forth on Schedule 3.20, there are no assets of any Company Benefit Plan that are not readily tradeable on a national securities exchange, including the Nasdaq Stock Market.

SECTION 3.21. BROKERAGE FEES AND COMMISSIONS. Except as set forth on Schedule 3.21, neither the Company nor the Company Stockholder has incurred any obligation or entered into any agreement for any investment banking, brokerage or finder's fee, or commission in respect of the transactions contemplated by this Agreement for which IES or the Company shall incur any liability.

SECTION 3.22. TAX TREATMENT. Neither the Company nor, to the Company Stockholder's Knowledge, any of its affiliates has taken, has agreed or failed to take, or intends to take any action or has any knowledge of any fact or circumstance that would prevent the Merger from qualifying as a reorganization within the meaning of Section 368 of the Code (a "368 Reorganization").

SECTION 3.23. SECTION 368(a)(2)(D) REPRESENTATIONS. The Company and the Company Stockholder hereby represent and warrant the following to be true and correct as of the Effective Time:

(a) The fair market value of the IES Common Stock and other consideration received by the Company Stockholder will be approximately equal to the fair market value of the Company Common Stock surrendered in the exchange.

(b) There is no plan or intention of the Company Stockholder to have IES redeem, or have a party related to IES acquire, shares of IES Common Stock received in the Merger which would reduce the Company Stockholder's ownership of a number of shares of IES Common Stock received in the Merger to a number of shares having a value, as of the date of the Merger, of less than 40% of the sum of (i) the value at the Effective Time of all the Company Common Stock held immediately prior to the Merger by the Company Stockholder and (ii) the value at the Effective Time of any other instruments (such as debt of the Company which is guaranteed by the Company Stockholder) which are classified for federal income tax purposes as stock of the Company (collectively, "Shares") and which are held immediately prior to the Merger by the Company Stockholder. For purposes of this representation, Shares outstanding immediately prior to the Merger include Shares redeemed prior to the Merger by reason of this Agreement or otherwise as part of the Merger, and the value of all Shares outstanding immediately prior to the Merger shall be determined with regard to any extraordinary distributions (i.e., distributions with respect to Shares other than regular, normal dividends) by the Company by reason of this Agreement or otherwise as part of the Merger. For purposes of this representation, a party is related to IES if such party and IES would be treated as related parties within the meaning of Treasury Regulations Section 1.368-1(e)(3).

(c) Acquisition will acquire substantially all of the properties including the business assets of the Company. For purposes of this representation, amounts paid by the Company to dissenters, amounts paid by the Company to Company Stockholder who receives cash or other property, amounts used by the Company to pay reorganization expenses, and all redemptions and distributions (except for regular, normal dividends, if any) made by the Company immediately preceding the Merger, will be included as assets of the Company held immediately prior to the Merger.

(d) The Company and the Company Stockholder will pay their respective expenses, if any, incurred in connection with the Merger.

(e) There is no intercorporate indebtedness existing between IES and the Company or between Acquisition and the Company that was issued, acquired or will be settled at a discount.

(f) The Company is not an investment company. For purposes of this representation, an investment company means a regulated investment company (as defined in the Code), a real estate investment trust (as defined in the Code), or a corporation, 50 percent or more of the value of whose total assets are stock and securities and 80 percent or more of the value of whose total assets are assets held for investment within the meaning of Section 368(a)(2)(F)(iii) of the Code.

(g) The Company is not under the jurisdiction of a court in a case under Title 11 of the United States Code, or a receivership, foreclosure, or similar proceeding in a federal or state court.

(h) On the date of the Merger, the fair market value of the assets of the Company will exceed the sum of its liabilities, plus the amount of liabilities, if any, to which its assets are subject.

(i) None of the compensation received by any stockholder-employees of the Company will be separate consideration for, or allocable to, any of their shares of Company Common Stock. None of the shares of IES Common Stock to be received by any stockholder-employee will be separate consideration for, or allocable to, any employment agreements, and the compensation paid to any stockholder-employee will be for services actually rendered and will be commensurate with amounts paid to third parties bargaining at arm's length for similar services.

(j) The payment of cash in lieu of issuing fractional shares of IES Common Stock is solely for the purpose of avoiding the expense and inconvenience to IES of issuing fractional shares and does not represent separately bargained-for consideration. The total cash consideration that will be paid in the Merger to the Company Stockholder instead of issuing fractional shares of IES Common Stock will not exceed one percent of the total consideration that will be issued in the Merger to the Company Stockholder in exchange for his shares of Company Common Stock. The fractional share interests of the Company Stockholder will be aggregated and the Company Stockholder will not receive cash in an amount equal to or greater than the value of one full share of IES Common Stock.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF IES

IES represents and warrants to the Company Stockholder as follows:

SECTION 4.1. ORGANIZATION AND QUALIFICATION. Each of IES and Acquisition is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and IES has the requisite corporate power to carry on its business as it is now conducted. IES is duly qualified to conduct business as a foreign corporation in each jurisdiction in which its ownership or lease of property or the conduct of its business and operations makes such qualification necessary, except for such jurisdictions in which IES' failure to be so qualified is not reasonably expected to have, individually or in the aggregate, an IES Material Adverse Effect (as defined in Section 10.15).

SECTION 4.2. CAPITALIZATION. (a) The authorized capital stock of IES consists of 100,000,000 shares of IES Common Stock, 2,655,709 shares of restricted voting common stock and 10,000,000 shares of preferred stock. As of February 11, 1999, there were outstanding 29,925,269 shares of IES Common Stock (including no shares of treasury stock), 2,655,709 shares of restricted voting common stock, and no shares of preferred stock. All outstanding shares of capital stock of IES have been duly authorized and validly issued and are fully paid and non-assessable and free of preemptive rights.

(b) The shares of IES Common Stock to be issued as the Merger Consideration have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will

have been validly issued and will be fully paid and non-assessable, and the issuance thereof is not subject to any preemptive or other similar right.

SECTION 4.3. AUTHORIZATION. The execution, delivery and performance by IES of this Agreement, and the consummation by IES and Acquisition of the transactions contemplated hereby, are within the corporate powers of IES and Acquisition and have been duly authorized by all necessary corporate action. This Agreement has been duly executed and delivered by IES and Acquisition and constitutes the valid and binding obligation of IES and Acquisition enforceable against IES and Acquisition in accordance with its terms.

SECTION 4.4. CONSENTS AND APPROVAL; NO VIOLATION. Neither the execution and delivery of this Agreement by IES and Acquisition, nor the consummation by IES and Acquisition of the transactions contemplated by this Agreement, will: (a) require any consent, approval, authorization, or permit of, or filing with or notification to, any Governmental Authority, except (i) the filing of the Certificates of Merger in accordance with Delaware Law and Georgia Law, (ii) compliance with any applicable requirements of the 1933 Act, the Securities Exchange Act of 1934, as amended (the "1934 Act"), and foreign or state securities or Blue Sky laws, (iii) any regulatory approvals or routine governmental consents normally acquired after the consummation of transactions such as transactions of the nature contemplated by this Agreement, or (iv) where the failure to obtain such consent, approval, authorization, or permit, or to make such filing or notification, is not reasonably expected to have, individually or in the aggregate, an IES Material Adverse Effect or prevent or delay, in any material respect, the consummation of the transactions contemplated by this Agreement; (b) result in a default (or give rise to any right of termination, cancellation, or acceleration) under any of the terms, conditions, or provisions of any agreement or other instrument binding upon IES or any of its subsidiaries, except for such defaults (or rights of termination, cancellation, or acceleration) as to which requisite waivers or consents have been obtained or which are not reasonably expected to have, individually or in the aggregate, an IES Material Adverse Effect or prevent or delay, in any material respect, the consummation of the transactions contemplated by this Agreement; or (c) assuming compliance with the matters referred to in Section 4.4(a), violate any order, writ, injunction, decree, statute, rule, or regulation applicable to IES or any of its subsidiaries or any of their assets, except for violations which are not reasonably expected to have, individually or in the aggregate, an IES Material Adverse Effect or prevent or delay, in any material respect, the consummation of the transactions contemplated by this Agreement.

SECTION 4.5. SEC FILINGS. (a) IES has filed with the Securities and Exchange Commission ("SEC") all material forms, statements, reports and documents (the "IES SEC Filings") required to be filed by it under the 1934 Act and the rules and regulations thereunder.

(b) As of its filing date, each IES SEC Filing complied as to form in all material respects with the applicable requirements of the 1934 Act.

(c) As of its filing date, each IES SEC Filing filed pursuant to the 1934 Act did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(d) IES has previously delivered to the Company Stockholder copies of IES' prospectus, dated April 9, 1999, as supplemented (the "Prospectus"), as well as a copy of the annual report to shareholders for the year ended September 30, 1998 (the "Annual Report"). As of its date, the Prospectus did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 4.6. TAX TREATMENT. Neither IES nor, to IES' Knowledge, any of its affiliates has taken, has agreed or failed to take, or intends to take any action or has any knowledge of any fact or circumstance that would prevent the Merger from qualifying as a 368 Reorganization.

SECTION 4.7. SECTION 368(a)(2)(D) REPRESENTATIONS. IES hereby represents and warrants the following to be true and correct as of the Effective Time:

(a) The Merger was negotiated through arm's length bargaining. Accordingly, the fair market value of the IES stock and other consideration received by the Company Stockholder will be approximately equal to the fair market value of the Company Common Stock surrendered in the exchange.

(b) Prior to the Merger, IES will be in control of Acquisition within the meaning of Section 368(c)(1) of the Code.

(c) Following the Merger, Acquisition has no current plan or intent to issue additional shares of its stock that would result in IES losing control of Acquisition within the meaning of Section 368(c)(1) of the Code.

(d) IES has no current plan or intention to reacquire any of its stock issued in the Merger.

(e) IES has no current plan or intention to liquidate Acquisition; to merge Acquisition with and into another corporation; to sell or otherwise dispose of any of the assets of the Company acquired in the Merger, except for dispositions made in the ordinary course of business or transfers described in section 368(a)(2)(C) of the Code.

(f) Following the Merger, Acquisition will continue the historic business of the Company or use a significant portion of the Company's business assets in a business.

(g) There is no inter-corporate indebtedness existing between IES and the Company or between Acquisition and the Company that was issued, acquired, or will be settled at a discount.

(h) Neither IES nor Acquisition is an investment company as defined in section 368(a)(2)(f)(iii) and (iv) of the Code.

(i) None of the compensation received by any stockholder-employees of the Company will be separate consideration for, or allocable to, any of their shares of Company Common Stock. None of the shares of IES Common Stock to be received by any stockholder-employee will be separate consideration for, or allocable to, any employment agreements, and the compensation paid to any stockholder-employee will be for services actually rendered and will be commensurate with amounts paid to third parties bargaining at arm's length for similar services.

ARTICLE V

ADDITIONAL COVENANTS AND AGREEMENTS

SECTION 5.1. REASONABLE BEST EFFORTS. Subject to the terms and conditions of this Agreement, each party will use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper, or advisable under applicable laws and regulations to consummate the transactions contemplated by this Agreement.

SECTION 5.2. CERTAIN FILINGS. The Company and IES shall cooperate with one another (i) in determining whether any action by or in respect of, or filing with, any Governmental Authority is required, or any actions, consents, approvals, or waivers are required to be obtained from parties to any material agreements, in connection with the consummation of the transactions contemplated by this Agreement and (ii) in taking such actions or making such filings, furnishing information required in connection therewith and seeking timely to obtain such actions, consents, approvals, or waivers.

SECTION 5.3. PUBLIC ANNOUNCEMENTS. Without the prior consent of the other, which consent shall not be unreasonably withheld, neither the Company nor the Company Stockholder will issue, or permit any agent or affiliate to issue, any press releases or otherwise make or permit any agent or affiliate to make, any public statements with respect to this Agreement or the transactions contemplated by this Agreement.

SECTION 5.4. FURTHER ASSURANCES. At and after the Effective Time, the officers and directors of the Surviving Corporation will be authorized to execute and deliver, in the name and on behalf of the Company or Acquisition, any deeds, bills of sale, assignments, or assurances and to take and do, in the name and on behalf of the Company or Acquisition, any other actions and things to consummate the Merger and to vest, perfect, or confirm of record or otherwise in the Surviving Corporation any and all right, title, and interest in, to, and under any of the rights, properties, or assets of the Company acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger.

SECTION 5.5. NOTICES OF CERTAIN EVENTS. Each of the Company, the Company Stockholder and IES shall promptly notify the other parties hereto of:

(a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(b) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement;

(c) any actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against, relating to, or involving or otherwise affecting such party that relate to the consummation of the transactions contemplated by this Agreement; and

(d) any material failure on its part to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 5.5(d) shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

SECTION 5.6. RELEASE FROM GUARANTEES. Following the Effective Time, IES and the Surviving Corporation shall use reasonable efforts to have the Company Stockholder released from the personal guarantees of the Company's indebtedness identified on Schedule 5.6. In the event that IES cannot obtain releases of any such guarantees on or prior to one hundred and twenty (120) days subsequent to the Effective Time, IES shall pay off or otherwise refinance or retire such indebtedness.

SECTION 5.7. FUTURE COOPERATION. The Company, Company Stockholder and IES shall each deliver or cause to be delivered to the other following the Effective Time such additional instruments as the other may reasonably request for the purpose of fully carrying out this Agreement. The Company Stockholder will cooperate and use his reasonable best efforts to have the present officers, directors and employees of and independent accountants to the Company cooperate with IES at and after the Effective Time in furnishing information, evidence, testimony and other assistance in connection with any actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Effective Time, including, without limitation, consent to the inclusion of any independent auditor's report in documents filed by IES under the 1933 Act or 1934 Act.

SECTION 5.8. EXPENSES. IES and the Company Stockholder will each pay their own fees, expenses and disbursements of their respective agents, representatives, accountants and counsel incurred in connection with the execution, delivery and performance of this Agreement and any amendment thereto.

SECTION 5.9. REPAYMENT OF RELATED PARTY INDEBTEDNESS. Concurrently with the execution of this Agreement, (i) the Company Stockholder shall repay to the Company all amounts outstanding as advances to or receivables from the Company Stockholder and (ii) the Company shall repay all amounts outstanding under loans to the Company from the Company Stockholder. Such advances, receivables and loans, and the amounts thereof, are listed on Schedule 5.9.

SECTION 5.10. FIRPTA CERTIFICATE. The Company Stockholder will deliver to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

SECTION 5.11. PREPARATION AND FILING OF TAX RETURNS.

(a) The Company Stockholder shall file or cause to be filed all tax returns for all taxable periods that end on or before the Closing, but in each case only after IES has reviewed such filings and consented thereto.

(b) IES shall file or cause to be filed all tax returns for all taxable periods ending after the Closing.

(c) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any tax returns, amended tax returns or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant tax returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings or other determinations by taxing authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file tax returns pursuant to this Agreement shall bear all costs of filing such tax returns.

SECTION 5.12. TAX-FREE REORGANIZATION. IES and the Company Stockholder shall each use their best efforts to cause the Merger to be treated as a reorganization within the meaning of Section 368(a) of the Code.

SECTION 5.13. CONDUCT OF BUSINESS PENDING CLOSING. (a) Between the date of this Agreement and the Closing, the Company Stockholder will, and will cause the Company to, except as set forth below on Schedule 5.14:

(i) carry on his respective businesses in substantially the same manner as they have heretofore;

(ii) use all commercially reasonable efforts to maintain their properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of their respective obligations under agreements relating to or affecting their respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use their commercially reasonable efforts to maintain and preserve their business organization intact, retain their respective present key employees and maintain their respective relationships with suppliers, customers and others having business relations with the Company;

(vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar Governmental Authorities;

(vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the Knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;

(viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices; and

(ix) afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request.

(b) Except as disclosed on Schedule 5.14, between the date hereof and the Closing, the Company will not, without prior written consent of IES:

(i) make any change in its Articles of Incorporation or Bylaws;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind;

(iii) declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem, or otherwise acquire or retire for value any share of its stock;

(iv) into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1997;

- (v) create, assume or permit to exist any mortgage, pledge or other Lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except with respect to purchase money Liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1997 necessary or desirable for the conduct of the businesses of the Company;
- (vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;
- (vii) negotiate for the acquisition of any business or the start-up of any new business;
- (viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;
- (ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.16 unless specifically listed thereon;
- (x) amend or terminate any material judgment, permit, license or other right to the Company; or
- (xi) enter into any other transaction outside the ordinary course of its business or prohibited thereunder.

(c) None of the Company Stockholder, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Effective Time or the termination of this Agreement in accordance with its terms, directly or indirectly (i) solicit or initiate the submission of proposals or offers from any person for, (ii) participate in any discussions pertaining to, (iii) enter into any agreement or understanding with respect to, (iv) furnish any information to any person other than IES or its authorized agents relating to, or (v) allow to occur, any acquisition, purchase or sale of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

SECTION 5.14. NOTIFICATION OF CERTAIN MATTERS. The Company Stockholder shall give prompt notice to IES upon obtaining Knowledge of (a) the occurrence or non-occurrence of any event which would be likely to cause any representation or warranty contained herein to be untrue or inaccurate and (b) any failure of the Company Stockholder or the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company Stockholder of (i) the occurrence or non-occurrence of any event which would be likely to cause any representation or warranty of IES

contained herein to be untrue or inaccurate and (ii) any failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder.

ARTICLE VI

INDEMNIFICATION

The Company Stockholder and IES each make the following covenants:

SECTION 6.1. INDEMNIFICATION BY THE COMPANY STOCKHOLDER. The Company Stockholder covenants and agrees that he will indemnify, defend, protect, and hold harmless IES, the Company, and the Surviving Corporation, and their respective officers, directors, employees, stockholders, agents, representatives, and affiliates (the "IES Indemnitees") at all times from and after the date of this Agreement from and against all claims, damages, losses, liabilities (joint or several), obligations, penalties, defenses, actions, lawsuits, proceedings, judgments, demands, assessments, costs, and expenses (including specifically, but without limitation, fees, disbursements, and expenses of attorneys, accountants, other professional advisors and of expert witnesses and costs of investigation and preparation) (collectively, "Damages"), as they are incurred, directly or indirectly resulting from, relating to or arising out of:

(a) any breach of or inaccuracy in, or any allegation or claim by a third party which, if true, would constitute a breach or inaccuracy in, any representation or warranty set forth herein or in the Schedules or certificates delivered in connection herewith;

(b) any breach or non-performance, partial or total, by the Company or the Company Stockholder of any covenant or agreement of the Company (or any affiliate or subsidiary thereof) or the Company Stockholder (or any affiliate thereof) contained in this Agreement;

(c) any actual or threatened violation of or non-compliance with any Environmental Laws arising from any event, condition, circumstance, activity, practice, incident, action, or plan existing or occurring prior to the Effective Time relating in any way to the assets or the business of the Company (including without limitation the ownership, operation, or use of the Company's assets and the conduct of the business of the Company prior to the Effective Time; the presence of any underground storage tanks or any hazardous substances or solid waste on, in, under, or affecting all or any portion of the Company's properties or any surrounding areas, and any release (as defined in CERCLA) or threatened release with respect to such underground storage tanks or hazardous substances or solid waste; and the storage, disposal, or treatment, or transportation for storage, disposal, or treatment, of hazardous substances or solid waste; but excluding any violation of or non-compliance with any Environmental Laws that is attributable solely to a change by IES in the structure, use or condition of any of the Company's assets after the Effective Time); or

(d) the ownership, management, or use of the Company's assets prior to the Effective Time; the conduct of the business of the Company prior to the Effective Time;

(e) the Kimberly Harrington v. Putzel Electrical Contractors, Inc. and R. Brett Curenton, Civil Action No. 1 98-CV-1503, United States District Court for the Northern District of

Georgia, Atlanta Division to the extent of one half of the amount of such Damages which exceed \$120,000.

(f) any losses or costs of defending against any claims which may be made against IES by any Person claiming violations of any local, state, or federal laws relating to the employment relationship, including, but not limited to, wages, hours, concerted activity, nondiscrimination, occupational health and safety, and the payment and withholding of Taxes, where such claims arise out of circumstances occurring prior to the Effective Time.

Notwithstanding any provision to the contrary in this Agreement, in no event whatsoever shall the aggregate liability of the Company Stockholder, on the one hand, or IES, on the other hand, under this Agreement (including all costs, expenses and attorneys' fees paid or incurred in connection therewith or with respect to any indemnification or the curing of any and all misrepresentations or breaches under this Agreement) exceed the amount \$16,800,000 adjusted by the actual value of the difference between the value of IES Common Stock priced at the closing price as reported in the Wall Street Journal of the day preceding the day of settlement of the indemnity obligation less \$10,500,000; provided, however, that the foregoing limitation on liability shall not apply with respect to indemnity obligations under Section 6.1(a) relating to Section 3.2 or Section 3.19 hereof or with respect to any Damages that relate to or occur as a result of fraudulent misrepresentations or fraudulent acts.

Payment of Damages to IES Indemnitees can be made by paying 50% in IES Common Stock and 50% in cash, the IES Common Stock being valued at the closing of the day preceding the day of settlement.

SECTION 6.2. INDEMNIFICATION RELATED TO TAX LIABILITIES. The Company Stockholder shall retain liability, and shall indemnify IES, for the payment of any Tax liabilities with respect to the conduct of the business of the Company during all periods ending as of or prior to the Effective Time.

SECTION 6.3. INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Company Stockholder (the "Stockholder Indemnitee") at all times from and after the date of this Agreement from and against all claims, damages, losses, liabilities (joint or several), obligations, penalties, defenses, actions, lawsuits, proceedings, judgments, demands, assessments, costs, and expenses (including specifically, but without limitation, fees, disbursements, and expenses of attorneys, accountants, other professional advisors and of expert witnesses and costs of investigation and preparation), as they are incurred, directly or indirectly resulting from, relating to or arising out of:

(a) any breach of or inaccuracy in, or any allegation or claim by a third party which, if true, would constitute a breach or inaccuracy in, any representation or warranty of IES set forth herein or in the Schedules or certificates delivered in connection herewith;

(b) any breach or non-performance, partial or total, by IES of any covenant or agreement of IES (or any affiliate or subsidiary thereof) contained in this Agreement.

SECTION 6.4. INDEMNIFICATION PROCEEDINGS. Promptly after a party indemnified pursuant to this Article VI ("Indemnitee") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("third party") or the commencement of any action or proceeding by a third party, the Indemnitee shall promptly, and in any event within 60 days of the assertion of any claim or the discovery of any fact upon which Indemnitee intends to base a claim for indemnification under this Agreement ("Indemnitee Claim"), as a condition precedent to the Indemnitee Claim, give written notice to the party or parties from whom indemnification is sought ("Indemnitor") of such claim by the third party. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. In the event of any Indemnitee Claim, Indemnitor, at its option, shall have the right to defend or settle, at its own expense and by its own counsel, any such matter so long as the Indemnitor pursues the same in good faith and diligently. If the Indemnitor undertakes to defend or settle, it shall promptly notify the Indemnitee of its intention to do so, and the Indemnitee shall cooperate with the Indemnitor and its counsel in the defense thereof and in any settlement thereof. Notwithstanding the foregoing, the Indemnitee shall have the right to participate in any matter through counsel of its own choosing at Indemnitor's own expense; provided that the Indemnitor's counsel shall always be lead counsel and shall determine all litigation and settlement steps, strategy and the like. Except as set forth in the preceding sentence, after the Indemnitor has notified the Indemnitee of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnitor diligently pursues such defense, the Indemnitor shall not be liable for any additional legal expenses incurred by the Indemnitee in connection with any defense or settlement of such asserted liability, except to the extent such participation is requested by the Indemnitor, in which event the Indemnitee shall be reimbursed by the Indemnitor for reasonable additional legal expenses, out-of-pocket expenses and allocable share of employee compensation incurred in connection with such participation for any employee whose participation is so requested. If the Indemnitor desires to accept a final and complete settlement of any such third party claim and the Indemnitee refuses to consent to any such settlement which contains a complete and irrevocable release of Indemnitee of all current and future claims related to or arising out of the matter in dispute, then the Indemnitor's liability under this Section with respect to such third party claim shall be limited to the amount so offered in settlement by said third party. If the Indemnitor does not undertake to defend such matter to which the Indemnitee is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnitee may undertake such defense through counsel of its choice, at the cost and expense of the Indemnitor, and the Indemnitee may settle such matter, without the consent of the Indemnitor, and the Indemnitor shall immediately reimburse the Indemnitee for the amount paid in such settlement and any other liabilities or expenses incurred (including all legal fees and expenses) by the Indemnitee in connection therewith as such amounts, liabilities, expenses and fees are incurred.

SECTION 6.5. OTHER REMEDIES. Notwithstanding the indemnification obligations contained within this Article VI, in no event shall the indemnification provisions hereof limit in any way the ability of any of the parties to this Agreement to seek any other remedies which may be available to them under law.

SECTION 6.6. INDEMNIFICATION IF NEGLIGENCE OF INDEMNITEE. The indemnification provided in this Article VI shall be applicable whether or not negligence of the Indemnitee is alleged or proven.

SECTION 6.7. NO THIRD-PARTY BENEFICIARIES. The foregoing indemnification is given solely for the purpose of protecting the IES Indemnitees and the Stockholder Indemnitee and shall not be deemed extended to, or interpreted in a manner to confer any benefit, right, or cause of action upon, any other Person.

SECTION 6.8. LIMITATION UPON INDEMNITY. The Company Stockholder, on the one hand, and IES, on the other hand, shall be entitled to indemnification from the other under the provisions of this Article VI for all claims subject to indemnification by such party, but only after such time that the amount of, and to the extent that, such claims exceed, in the aggregate, one percent (1%) of the value of the Merger Consideration, or \$210,000; provided, however, that the foregoing limitation on liability shall not apply with respect to indemnity obligations under Section 6.1(a) relating to Section 3.2, Section 3.18, Section 3.19, or 6.1(e) hereof or with respect to any Damages that relate to or occur as a result of fraudulent misrepresentations or fraudulent acts.

ARTICLE VII

NONCOMPETITION COVENANTS

SECTION 7.1. PROHIBITED ACTIVITIES. The Company Stockholder will not, for a period of two (2) years following the Effective Time, directly or indirectly, for himself or on behalf of or in conjunction with any or Person:

(a) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial or advisory capacity, whether as an employee, independent contractor, consultant, or advisor, or as a sales representative, in any business offering any services or products in direct competition with IES or any of its subsidiaries within 100 miles of where IES or any of its subsidiaries conducts business, including any territory serviced by IES or any of its subsidiaries (which subsidiaries, for purposes of this Article VII shall include, without limitation, the Company) (the "Territory");

(b) call upon any Person who is, at that time, within the Territory, an employee of IES or any of its subsidiaries for the purpose or with the intent of enticing such employee away from or out of the employ of IES or any of its subsidiaries;

(c) call upon any Person who is, at that time, or which has been within one (1) year prior to that time, a customer of IES or any of its subsidiaries within the Territory for the purpose of soliciting or selling services or products in direct competition with IES or any of its subsidiaries within the Territory;

(d) call upon any prospective acquisition candidate, on the Company Stockholder's own behalf or on behalf of any competitor in the electrical contracting business, which candidate, to the actual knowledge of Company Stockholder after due inquiry, was called upon by IES or any subsidiary thereof or for which, to the actual knowledge of the Company Stockholder after inquiry, IES or any subsidiary thereof made an acquisition analysis, for the purpose of acquiring such entity; or

(e) disclose customers, whether in existence or proposed, of the Company to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the Company has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit the Company Stockholder from acquiring, as a passive investor with no involvement in the operations of the business, not more than one percent (1%) of the capital stock of a business providing services similar to those provided by IES whose stock is publicly traded on a national securities exchange or over the counter.

SECTION 7.2. EQUITABLE RELIEF. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, the Company Stockholder agrees that the foregoing covenant may be enforced by IES by injunctions, restraining orders, and other equitable actions and agrees to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief.

SECTION 7.3. REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Article VII impose a reasonable restraint on the Company Stockholder in light of the activities and business of IES on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Company Stockholder that such covenants be construed and enforced in accordance with the changing activities, business, and locations of IES and its subsidiaries throughout the term of this covenant. During the term of this covenant, if IES or one of its subsidiaries engages in new and different activities, enters a new business, or establishes new locations for its current activities or business in addition to or other than the activities or business it is currently conducting in the locations currently established therefor, then the Company Stockholder will be precluded from soliciting the customers or employees of such new activities or business or from such new location and from directly competing with such new activities or business within 100 miles of its then-established operating location(s) through the term of these covenants.

SECTION 7.4. SEVERABILITY; REFORMATION. The covenants in this Article VII are severable and separate, and the unenforceability of any specific covenant shall not affect the continuing validity and enforceability of any other covenant. In the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth in this Article VII are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and this Agreement shall thereby be reformed.

SECTION 7.5. MATERIAL AND INDEPENDENT COVENANTS. The Company Stockholder acknowledges that his agreements with the covenants set forth in this Article VII are material conditions to IES' agreement to execute and deliver this Agreement and to consummate the transactions contemplated hereby. All of the covenants in this Article VII shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or

cause of action of the Company Stockholder against IES or one of its subsidiaries, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the two (2) year period during which the agreements and covenants of the Company Stockholder made in this Article VII shall survive shall be computed by excluding from such computation any time during which the Company Stockholder is in violation of any provision of this Article VII. The covenants contained in this Article VII shall not be affected by any breach of any other provision hereof by any party hereto.

SECTION 7.6. MATERIALITY. The Company and the Company Stockholder hereby agree that this covenant is a material and substantial part of this transaction.

ARTICLE VIII

APPLICABLE SECURITIES LAWS/TRANSFER RESTRICTIONS

SECTION 8.1. COMPANY STOCKHOLDER'S REPRESENTATIONS AND WARRANTIES CONCERNING SECURITIES. As of the date hereof (which is the same date as the Effective Time), the Company Stockholder hereby makes the following representations and warranties to and for the benefit of IES: (i) that the Company Stockholder has been provided with copies of the Prospectus and annual report and have been provided as much time and opportunity as he deemed appropriate to review and study such Prospectus, and to consult with IES regarding the merits and risks of the transactions contemplated by this Agreement; (ii) that the Company Stockholder has had adequate opportunity to ask questions of and receive answers from the officers of IES pertaining to the purchase of the IES Common Stock pursuant to the Merger, and (iii) all such questions have been answered to the satisfaction of the Company Stockholder. The Company Stockholder is able to bear the economic risk of an investment in the IES Common Stock and can afford to sustain a total loss of such investment. The Company Stockholder has such knowledge and experience in financial and business matters that it, she or he is capable of evaluating the merits and risks of the proposed investment and therefore has the capacity to protect its, her or his own interests in connection with the acquisition of the IES Common Stock pursuant hereto.

SECTION 8.1. TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 8.2 (or trusts for the benefit of the Company Stockholder or family members, or trust in which the Company Stockholder is both the grantor and the beneficiary, the trustees of which so agree), the Company Stockholder shall not sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Common Stock received by the Company Stockholder pursuant to this Agreement. The restriction set forth in this Section 8.2 shall expire with respect to 20% of the IES Common Stock on the first anniversary, 40% of the IES Common Stock on the second anniversary and 40% of the IES Common Stock on the third anniversary of the Effective Time. The certificates evidencing the IES Common Stock delivered to the Company Stockholder pursuant to this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF WITHOUT THE WRITTEN CONSENT OF IES, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE DATES SPECIFIED IN THE AGREEMENT. FOLLOWING SUCH DATES THE ISSUER AGREES TO REMOVE THE RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE.

ARTICLE IX

NONDISCLOSURE OF CONFIDENTIAL INFORMATION

SECTION 9.1. GENERAL. The Company Stockholder recognizes and acknowledges that he had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company or the Surviving Corporation, such as lists of customers or employees, operational policies, and pricing and cost policies that are valuable, special, and unique assets of the Company and will be valuable, special, and unique assets of the Surviving Corporation. The Company Stockholder agrees that he will not disclose such confidential information to any Person for any purpose or reason whatsoever (except such information as the Company Stockholder may be required to disclose to any Governmental Authority or to authorized representatives of IES). In the event of a breach or threatened breach by the Company Stockholder of the provisions of this Section, IES shall be entitled to an injunction restraining the Company Stockholder from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

SECTION 9.2. EQUITABLE RELIEF. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants, and because of the immediate and irreparable damage that would be caused for which the Company, the Surviving Corporation, and/or IES would have no other adequate remedy, the Company Stockholder agrees that the foregoing covenants may be enforced against him by injunctions, restraining orders, and other equitable actions and agrees to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief.

SECTION 9.3. NON-PUBLIC INFORMATION. The Company Stockholder hereby acknowledges that if he becomes aware of "material non-public information" (as defined under applicable securities laws) regarding IES, that he will be required, under applicable securities laws, to refrain from trading in IES securities or disclosing any such information while such information is non-public. The Company Stockholder further agrees to communicate such requirement to all personnel of the Company, the Surviving Corporation or others, having knowledge of such "material non-public information" regarding IES.

SECTION 9.4. SURVIVAL. The obligations of the parties under this Article IX shall survive the termination of this Agreement.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas without reference to the choice of law principles thereof.

SECTION 10.2. ENTIRE AGREEMENT. This Agreement, together with the Schedules and Exhibits hereto, constitute the entire agreement between the parties with respect to the subject matter hereof, and there are no agreements, understandings, representations, or warranties, either written or oral, between the parties other than those set forth or referred to herein.

SECTION 10.3. EXPENSES AND FEES. All costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

SECTION 10.4. NOTICES. All notices hereunder shall be sufficient upon receipt for all purposes hereunder if in writing and delivered personally, sent by documented overnight delivery service or, to the extent receipt is confirmed, telecopy, telefax, or other electronic transmission service to the appropriate address or number as set forth below.

If to IES or Acquisition, to:

Integrated Electrical Services, Inc.
515 Post Oak Blvd., Suite 450
Houston, Texas 77027
Attention: John F. Wombwell
Fax Number: (713) 860-1599

if to the Company or the Company Stockholder, to:

Putzel Electrical Contractors, Inc.
2144-C Hills Avenue
Atlanta, Georgia 30318
Attention: Morris Purcel
Fax Number: (912) 743-5811

SECTION 10.5. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that no party may assign, delegate, or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto, except IES or Acquisition may transfer or assign, in whole or from time to time in part, to one or more of their affiliates, the right to enter into the transactions contemplated by this Agreement, but any such transfer or assignment will not relieve IES or Acquisition of its obligations hereunder. This Agreement is not intended to confer upon any Person not a party hereto any rights or remedies hereunder, and no Person other than the

parties hereto or such Persons described above is entitled to rely on any representation, warranty, or covenant contained herein.

SECTION 10.6. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties for a period of twenty-four months after the Effective Time, and shall not be limited with respect to Section 3.2, Section 3.18 or Section 3.19, pending claims at the Effective Time and fraudulent misrepresentations or fraudulent acts.

SECTION 10.7. HEADINGS; DEFINITIONS. The Section and Article headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement. All references to Sections or Articles contained herein mean Sections or Articles of this Agreement unless otherwise stated. All capitalized terms defined herein are equally applicable to both the singular and plural forms of such terms.

SECTION 10.8. AMENDMENTS AND WAIVERS. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by the party against whom enforcement of any such modification or amendment is sought. Any party hereto may, only by an instrument in writing, waive compliance by any other party hereto with any term or provision of this Agreement on the part of such other party hereto to be performed or complied with. The waiver by any party hereto of a breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach.

SECTION 10.9. CONSTRUCTION OF CERTAIN PROVISIONS. It is understood and agreed that the specification of any dollar amount in the representations and warranties contained in this Agreement or the inclusion of any specific item in the Schedules or Exhibits is not intended to imply that such amounts or higher or lower amounts, or the items so included or other items, are or are not material, and no party shall use the fact of the setting of such amounts or the fact of the inclusion of any such item in the Schedules in any dispute or controversy between the parties as to whether any obligation, item, or matter not described herein or included in a Schedule or Exhibit is or is not material for purposes of this Agreement. It is agreed that neither party shall allege that a provision of this Agreement shall be construed against a party because such party drafted such provision.

SECTION 10.10. SEVERABILITY. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated by this Agreement are fulfilled to the extent possible.

SECTION 10.11. JURISDICTION. Any legal action, suit, or proceeding in law or equity arising out of or relating to this Agreement and transactions contemplated by this Agreement may only be instituted in any state or federal court in Harris County, Houston, Texas, and each party agrees not

to assert, by way of motion, as a defense, or otherwise, in any such action, suit, or proceeding, any claim that it is not subject personally to the jurisdiction of such court, that its property is exempt or immune from attachment or execution, that the action, suit, or proceeding is brought in an inconvenient forum, that the venue of the action, suit, or proceeding is improper or that this Agreement, or the subject matter hereof or thereof may not be enforced in or by such court. Each party further irrevocably submits to the jurisdiction of any such court in any such action, suit, or proceeding. Any and all service of process and any other notice in any such action, suit, or proceeding shall be effective against any party if given by registered or certified mail, return receipt requested, or by any other means of mail which requires a signed receipt, postage prepaid, mailed to such party at the address listed in Section 10.4. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by law.

SECTION 10.12. SPECIFIC PERFORMANCE. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof in addition to any other remedy to which they are entitled at law or in equity.

SECTION 10.13. COUNTERPARTS; EFFECTIVENESS. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to promptly deliver to the other parties an original, duly executed counterpart of this Agreement.

SECTION 10.14. MUTUAL INDEMNIFICATION AGAINST CLAIMS OF BROKERS. Each party agrees to indemnify the other against all loss, cost, damages or expense arising out of claims for fees or commissions of brokers employed or alleged to have been employed by such party.

SECTION 10.15. DEFINITIONS AND USAGE. For the purposes of this Agreement:

"368 Reorganization" shall have the meaning specified in Section 3.22.

"1933 Act" shall have the meaning specified in Section 3.5.

"1934 Act" shall have the meaning specified in Section 4.4.

"Acquisition" shall have the meaning specified in the introductory paragraph of this Agreement.

"Actions" shall mean any actions, suits, arbitrations, inquiries, proceedings or investigations by or before any Governmental Authority.

"affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person.

"Agreement" shall have the meaning specified in the introductory paragraph of this Agreement and Plan of Merger.

"Annual Report" shall have the meaning specified in Section 4.5(d).

"CERCLA" shall have the meaning specified in Section 3.18.

"Certificates" shall have the meaning specified in Section 1.3.

"Certificates of Merger" shall have the meaning specified in Section 1.1(b).

"Closing" shall have the meaning specified in Section 1.1(d).

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor thereto.

"Commitment" shall have the meaning specified in Section 3.2(a).

"Company" shall have the meaning specified in the introductory paragraph of this Agreement.

"Company Benefit Plans" shall have the meaning specified in Section 3.20(a).

"Company Common Stock" shall have the meaning specified in Section 1.2(a).

"Company Material Adverse Effect" shall mean any fact, circumstance, event, or condition which has or would have a materially adverse effect on the business, operations, properties, condition (financial or otherwise), assets, liabilities, results of operations or prospects of the Company, taken as a whole.

"Company Pension Plans" shall have the meaning specified in Section 3.20(a).

"Company Returns" shall mean all returns, declarations, reports, statements, and other documents required to be filed by the Company in respect of Taxes, and the term "Company Return" means any one of the foregoing Company Returns.

"Company Shares" shall have the meaning specified in Section 3.2(a).

"Company Stock" shall have the meaning specified in Section 1.2(a).

"Company Stockholder" shall have the meaning specified in the introductory paragraph of this Agreement.

"Company Audited Balance Sheet Date" shall have the meaning specified in Section 3.7.

"Company Financial Statements" shall have the meaning specified in Section 3.6.

"Damages" shall have the meaning specified in Section 6.1.

"Delaware Law" shall have the meaning specified in Section 1.1(a).

"Department" shall have the meaning specified in Section 5.13.

"disposal" or "disposed" shall have the meaning specified in Section 3.18.

"Effective Time" shall have the meaning specified in Section 1.1(b).

"Employment Agreement" shall have the meaning specified in Section 1.6(a)(i).

"Environmental Laws" shall have the meaning specified in Section 3.18.

"ERISA" shall have the meaning specified in Section 3.20(a).

"FTC" shall have the meaning specified in Section 5.13.

"GAAP" shall have the meaning specified in Section 3.6.

"Georgia Law" shall have the meaning specified in Section 1.1(a).

"Governmental Authority" shall mean (a) the United States of America, (b) any state, county, municipality, or other governmental subdivision within the United States of America, and (c) any court or any governmental department, commission, board, bureau, agency, or other instrumentality of the United States of America or of any state, county, municipality, water rights, taxing, or zoning authority, or other governmental subdivision within the United States of America.

"IES" shall have the meaning specified in the introductory paragraph of this Agreement.

"IES Common Stock" shall have the meaning specified in Section 1.2(a).

"IES Indemnitees" shall have the meaning specified in Section 6.1.

"IES Material Adverse Effect" shall mean any fact, circumstance, event, or condition which has or would have a materially adverse effect on the business, operations, properties, condition (financial or otherwise), assets, liabilities, results of operations or prospects of IES and its subsidiaries, taken as a whole.

"IES SEC Filings" shall have the meaning specified in Section 4.5(a).

"Indemnitee" shall have the meaning specified in Section 6.4.

"Indemnitee Claim" shall have the meaning specified in Section 6.4.

"Indemnitor" shall have the meaning specified in Section 6.4.

"Knowledge" when used in relation to any Person shall mean the actual (but not constructive) knowledge of such Person or such Person's officers after reasonable inquiry.

"Licenses" shall have the meaning specified in Section 3.11.

"Liens" shall mean all liens, mortgages, security interests, pledges, equities, claims, options, and other encumbrances of any kind.

"Merger" shall have the meaning specified in Section 1.1(a).

"Merger Consideration" shall have the meaning specified in Section 1.2(a).

"officer" means in the case of IES and the Company, any executive officer of IES or the Company, as applicable, within the meaning of Rule 3b-7 of the 1934 Act.

"Person" shall mean an individual, partnership, corporation, limited liability company, trust, incorporated or unincorporated association, joint venture, joint stock company, Governmental Authority or other legal entity of any kind.

"Prospectus" shall have the meaning specified in Section 4.5(d).

"Qualified Plans" shall have the meaning set forth in Section 3.20(b).

"RCRA" shall have the meaning specified in Section 3.18.

"release" shall have the meaning specified in Section 3.18.

"SEC" shall have the meaning specified in Section 4.5.

"Shares" shall have the meaning specified in Section 3.23(b).

"Stockholder Indemnitee" shall have the meaning specified in Section 6.3.

"subsidiary" means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at any time directly or indirectly owned by such Person.

"Surviving Corporation" shall have the meaning specified in Section 1.1(a).

"Tax" or "Taxes" shall have the meaning specified in Section 3.19(a).

"Territory" shall have the meaning specified in Section 7.1(a).

"third party" shall have the meaning specified in Section 6.4.

A reference in this Agreement to any statute shall be to such statute as amended from time to time, and the rules and regulations promulgated thereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ JOHN F. WOMBWELL

John F. Wombwell, Senior Vice President

PUTZEL ACQUISITION CORPORATION

By: /s/ JOHN F. WOMBWELL

John F. Wombwell, Assistant Secretary

PUTZEL ELECTRICAL CONTRACTORS, INC.

By: /s/ MORRIS PURCEL

Morris Purcel, President

/s/ MORRIS PURCEL

Morris Purcel, Company Stockholder

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated April 30, 1999, on the financial statements of Rockwell Electric, 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), previously filed Registration Statement on Form S-4 (File No. 333-75139) and on previously filed Post Effective Amendment No. 5 to Form S-1 on Form S-4 (File No. 333-50031).

/s/ S. J. GALLINA & CO., LLP

S. J. Gallina & Co., LLP
Walnut Creek, California
May 4, 1999

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We hereby consent to the use of our report, dated April 29, 1999, on the financial statements of Canova Electrical Contracting, Inc. included in this Form 8-K and to its incorporation by reference into Integrated Electrical Services, Inc.'s previously filed Registration Statements on Form S-8 (File Nos. 333-67113, 333-45447 and 333-45449), previously filed Registration Statement on Form S-4 (File No. 333-75139) and on previously filed Post Effective Amendment No. 5 to Form S-1 on Form S-4 (File No. 333-50031).

/s/ LARSON, ALLEN, WEISHAIR & CO., LLP
LARSON, ALLEN, WEISHAIR & CO., LLP
Minneapolis, MN
May 5, 1999

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated April 30, 1999, on the financial statements of Linemen, Inc. dba California Communications (a C corporation) 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), previously filed Registration Statement on Form S-4 (File No. 333-75139) and on previously filed Post Effective Amendment No. 5 to Form S-1 on Form S-4 (File No. 333-50031).

/s/ S. J. GALLINA & CO., LLP

S. J. Gallina & Co., LLP
Sacramento, California
May 4, 1999