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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2001

OR

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

For the transition period from_____to_____.

Commission File No. 1-13783

INTEGRATED ELECTRICAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

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

1800 West Loop South
Suite 500
Houston, Texas 77027-3290
(Address of principal executive offices) (zip code)

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

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

The number of shares outstanding as of May 10, 2001, of the issuer's common stock was 38,277,901 and of the issuer's restricted voting common stock was 2,605,709.

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

INDEX

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	September 30, 2000 (Audited)	March 31, 2001 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 770	$ 633
Accounts receivable:		
Trade, net of allowance of $7,121 and $6,075, respectively	300,038	264,659
Retainage	67,851	65,679
Related parties	256	347
Costs and estimated earnings in excess of billings on uncompleted contracts	51,119	52,259
Inventories, net	16,861	17,401
Prepaid expenses and other current assets	8,857	21,323
Total current assets	445,752	422,301
PROPERTY AND EQUIPMENT, net	61,367	65,959
GOODWILL, net	496,212	489,055
OTHER NON-CURRENT ASSETS	16,659	20,568
Total assets	$1,019,990	$ 997,883
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt and current maturities of long-term debt	$ 93,903	$ 109,839
Accounts payable and accrued expenses	202,047	145,871
Income taxes payable	1,166	2,062
Billings in excess of costs and estimated earnings on uncompleted contracts	56,993	58,494
Total current liabilities	354,109	316,266
LONG-TERM DEBT, net of current maturities	1,162	1,105
SENIOR SUBORDINATED NOTES, net of $1,073 and $1,032 unamortized discount, respectively	148,927	148,968
OTHER NON-CURRENT LIABILITIES	8,043	8,086
Total liabilities	512,241	474,425
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, none issued or outstanding	--	--
Common stock, $.01 par value, 100,000,000 shares authorized, 38,099,079 and 38,319,341 shares issued, respectively	381	383
Restricted common stock, $.01 par value, 2,655,709 shares authorized, 2,655,709 and 2,605,709 shares outstanding, respectively	27	26
Treasury stock, at cost, - and 43,434 shares, respectively	--	(283)
Additional paid-in capital	427,332	428,133
Retained earnings	80,009	95,092
Accumulated other comprehensive income	--	107
Total stockholders' equity	507,749	523,458
Total liabilities and stockholders' equity	$1,019,990	$ 997,883

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

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	Six Months Ended March 31,	
	2000	2001
	(Unaudited)	
Revenues	$ 705,518	$ 845,587
Cost of services (including depreciation)	583,038	694,297
Gross profit	122,480	151,290
Selling, general and administrative expenses	99,790	103,773
Goodwill amortization	6,720	6,493
Income from operations	15,970	41,024
Other (income)/expense:		
Interest expense	11,395	12,494
Gain on sales of assets	(188)	(77)
Other (income) expense, net	(553)	313
	10,654	12,730
Income before income taxes	5,316	28,294
Provision for income taxes	5,187	13,211
Net income	$ 129	$ 15,083
Other comprehensive income, net of tax:		
Unrealized gains from available for sale securities	--	107
Comprehensive income	$ 129	$ 15,190
Basic earnings per share	$ --	$ 0.37
Diluted earnings per share	$ --	$ 0.37
Shares used in the computation of earnings per share (Note 4)		
Basic	39,878,952	40,795,509
Diluted	39,912,540	41,060,287

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

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	Three Months Ended March 31,	
	2000	2001
	(Unaudited)	
Revenues	$ 370,327	$ 418,557
Cost of services (including depreciation)	307,467	341,808
Gross profit	62,860	76,749
Selling, general and administrative expenses	54,444	51,808
Goodwill amortization	3,256	3,244
Income from operations	5,160	21,697
Other (income)/expense:		
Interest expense	6,205	6,236
(Gain)/loss on sale of assets	54	(41)
Other (income)/expense, net	(194)	488
	6,065	6,683
Income (loss) before income taxes	(905)	15,014
Provision for income taxes	1,569	6,939
Net income (loss)	$ (2,474)	$ 8,075
Other comprehensive income, net of tax:		
Unrealized gains from available for sale securities	--	107
Comprehensive income (loss)	$ (2,474)	$ 8,182
Basic earnings (loss) per share	$ (0.06)	$ 0.20
Diluted earnings (loss) per share	$ (0.06)	$ 0.20
Shares used in the computation of earnings (loss) per share (Note 4)		
Basic	40,379,289	40,835,149
Diluted	40,379,289	41,093,981

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

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	Common Stock		Restricted Common Stock		Treasury Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
BALANCE, September 30, 2000	38,099,079	$ 381	2,655,709	$ 27	--	$ --
Issuance of stock (unaudited)	220,262	2	(50,000)	(1)	--	--
Purchase of stock (unaudited)	--	--	--	--	(251,076)	(1,456)
Sale of stock (unaudited)	--	--	--	--	207,642	1,173
Unrealized holding gain on securities (unaudited)	--	--	--	--	--	--
Net income (unaudited)	--	--	--	--	--	--
BALANCE, March 31, 2001 (unaudited)	38,319,341	$ 383	2,605,709	$ 26	(43,434)	$ (283)

	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
BALANCE, September 30, 2000	$ 427,332	$ 80,009	$ --	$ 507,749
Issuance of stock (unaudited)	994	--	--	995
Purchase of stock (unaudited)	--	--	--	(1,456)
Sale of stock (unaudited)	(193)	--	--	980
Unrealized holding gain on securities (unaudited)	--	--	107	107
Net income (unaudited)	--	15,083	--	15,083
BALANCE, March 31, 2001 (unaudited)	$ 428,133	$ 95,092	$ 107	$ 523,458

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

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Six Months Ended March 31,	
	2000	2001
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 129	$ 15,083
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	17,917	13,955
Gain on sale of property and equipment	(188)	(77)
Non-cash compensation expense	2,156	284
Changes in operating assets and liabilities (Increase) decrease in:		
Accounts receivable, net	547	37,545
Inventories	(2,583)	(525)
Costs and estimated earnings recognized in excess of billings on uncompleted contracts	(4,189)	(795)
Prepaid expenses and other current assets	(5,996)	(12,309)
Increase (decrease) in:		
Accounts payable and accrued expenses	8,800	(55,946)
Billings in excess of costs and estimated earnings recognized on uncompleted contracts	4,667	1,846
Income taxes payable	(1,188)	896
Other, net	(2,618)	1,090
Net cash provided by operating activities	17,454	1,047
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of businesses, net of cash acquired	(32,181)	(233)
Additions to property and equipment	(15,410)	(12,383)
Investments in available for sale securities	--	(4,849)
Proceeds from sale of property and equipment	1,290	519
Net cash used in investing activities	(46,301)	(16,946)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	48,404	57,000
Repayments of debt	(15,486)	(41,757)
Issuance of stock	--	995
Purchase of treasury stock	--	(1,456)
Sale of treasury stock	--	980
Net cash provided by financing activities	32,918	15,762
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,071	(137)
CASH AND CASH EQUIVALENTS, beginning of period	2,931	770
CASH AND CASH EQUIVALENTS, end of period	$ 7,002	$ 633
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for		
Interest	$ 11,507	$ 12,075
Income taxes	$ 16,373	$ 19,090

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

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Three Months Ended March 31, 2000	Three Months Ended March 31, 2001
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (2,474)	$ 8,075
Adjustments to reconcile net income (loss) to net cash provided by operating activities -		
Depreciation and amortization	11,819	7,054
(Gain) loss on sale of property and equipment	54	(41)
Non-cash compensation expense	1,848	142
Changes in operating assets and liabilities (Increase) decrease in:		
Accounts receivable, net	(8,447)	20,498
Inventories	(1,993)	(512)
Costs and estimated earnings recognized in excess of billings on uncompleted contracts	(4,596)	(1,871)
Prepaid expenses and other current assets	(5,409)	(5,924)
Increase (decrease) in:		
Accounts payable and accrued expenses	22,135	4,183
Billings in excess of costs and estimated earnings recognized on uncompleted contracts	4,175	(8,435)
Income taxes payable	(1,508)	(1,747)
Other, net	(2,621)	849
Net cash provided by operating activities	12,983	22,271
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(7,621)	(6,789)
Proceeds from sale of property and equipment	864	329
Net cash used in investing activities	(6,757)	(6,460)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	--	7,000
Repayments of debt	(9,712)	(23,024)
Issuance of stock	--	390
Purchase of treasury stock	--	(157)
Net cash used in financing activities	(9,712)	(15,791)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,486)	20
CASH AND CASH EQUIVALENTS, beginning of period	10,488	613
CASH AND CASH EQUIVALENTS, end of period	$ 7,002	$ 633
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for		
Interest	$ 6,088	$ 9,213
Income taxes	$ 12,364	$ 15,228

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

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. OVERVIEW

Integrated Electrical Services, Inc. (the "Company" or "IES"), a Delaware corporation, was founded in June 1997 to create a leading national provider of electrical services, focusing primarily on the commercial and industrial, residential, communications solutions and service and maintenance markets.

The accompanying unaudited condensed historical financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements, and therefore should be reviewed in conjunction with the financial statements and related notes thereto contained in the Company's annual report for the year ended September 30, 2000 filed on Form 10-K with the Securities and Exchange Commission. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Actual operating results for the six months ended March 31, 2001, are not necessarily indicative of the results that may be expected for the fiscal year ended September 30, 2001.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There were no significant changes in the accounting policies of the Company during the periods presented. For a description of these policies, refer to Note 2 of the Notes to Financial Statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 2000.

SUBSIDIARY GUARANTIES

All of the Company's operating income and cash flows are generated by its wholly owned subsidiaries, which are the subsidiary guarantors of the Company's outstanding 9 3/8% Senior Subordinated Notes due 2009 (the "Senior Subordinated Notes"). We are structured as a holding company and substantially all of our assets and operations are held by our subsidiaries. There are currently no significant restrictions on our ability to obtain funds from our subsidiaries by dividend or loan. The separate financial statements of the subsidiary guarantors are not included herein because (i) the subsidiary guarantors are all of the direct and indirect subsidiaries of the Company; (ii) the subsidiary guarantors have fully and unconditionally, jointly and severally guaranteed the Senior Subordinated Notes; and (iii) the aggregate assets, liabilities, earnings, and equity of the subsidiary guarantors is substantially equivalent to the assets, liabilities, earnings and equity of the Company on a consolidated basis. As a result, the presentation of separate financial statements and other disclosures concerning the subsidiary guarantors is not deemed material.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are primarily used in the Company's revenue recognition of construction in progress, allowance for doubtful accounts and self insured claims liability.

NEW ACCOUNTING PRONOUNCEMENTS

In December 1999, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 101 (SAB 101). SAB 101 reflects the basic principles of revenue recognition in existing accounting principles generally accepted in the United States, and does not supersede any existing authoritative literature. The Company recognizes revenue from construction contracts on the percentage-of-completion method in accordance with the American Institute of Certified Public Accountants Statement of Position 81-1, "Accounting for Performance of Construction - Type and Certain Production - Type Contracts," and as a result SAB 101 requires no change to the Company's revenue recognition policies.

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133, as amended, is required to be adopted for fiscal years beginning after June 15, 2000. The Company adopted SFAS No. 133, as amended, on October 1, 2000. Adoption of this statement did not have a material impact on the financial position or results of operations of the Company, as it has not engaged or entered into any arrangements usually associated with derivative instruments.

2. WRITE-OFF OF CAPITALIZED SOFTWARE

In accordance with its ongoing review of capitalized software, in March 2000, the Company curtailed the development of a complex and proprietary information system. This comprehensive information system had been under development for approximately one year. After a period of field testing, the Company determined that it was necessary to significantly alter the technological architecture of the system in order to reduce ongoing support, maintenance and communications costs. Accordingly, the Company recorded a pretax charge of approximately $7.7 million, of which $5.7 million was included in depreciation expense for the three months ended March 31, 2000 to write-off the carrying value of the software costs, development costs and certain hardware and network infrastructure costs.

3. DEBT

Credit Facility

The Company currently has a $175.0 million credit facility with a syndicate of banks to be used for working capital, capital expenditure, acquisitions and other corporate purposes that matures July 30, 2001 (the "Credit Facility"). Amounts borrowed under the Credit Facility bear interest at an annual rate equal to either (a) the London interbank offered rate (LIBOR) plus 1.25 percent to 2.25 percent, as determined by the ratio of the Company's total funded debt to EBITDA (as defined in the Credit Facility) or (b) the higher of (i) the bank's prime rate or (ii) the Federal funds rate plus 0.5 percent plus up to an additional 0.75 percent, as determined by the ratio of the

Company's total funded debt to EBITDA. Commitment fees of 0.25 percent to 0.50 percent, as determined by the ratio of the Company's total funded debt to EBITDA, are assessed on any unused borrowing capacity under the Credit Facility. The Company's existing and future subsidiaries guarantee the repayment of all amounts due under the facility, and the facility is secured by the capital stock of those subsidiaries and the accounts receivable of the Company and those subsidiaries. The Credit Facility requires the consent of the lenders for acquisitions exceeding a certain level of cash consideration, prohibits the payment of cash dividends on the common stock, restricts the ability of the Company to incur other indebtedness and requires the Company to comply with various affirmative and negative covenants including certain financial covenants. Among other restrictions, the financial covenants include minimum net worth requirements, maintenance of a total consolidated funded debt to EBITDA ratio and a minimum fixed charge coverage ratio. The Company was in compliance with the financial covenants at March 31, 2001. As of March 31, 2001, the Company had outstanding indebtedness of $109.0 million under its Credit Facility, letters of credit outstanding under its Credit Facility of $5.3 million, $1.9 million of other borrowings and available borrowing capacity under its Credit Facility of $60.7 million.

As the Company's Credit Facility matures on July 30, 2001, it is classified as currently payable. The Company is in negotiations with several banks to refinance the Credit Facility to $150.0 million. As of May 11, 2001, the Company had commitments of $130.0 million towards the new Credit Facility. The Company believes that it will be successful in refinancing its current Credit Facility prior to its maturity.

Senior Subordinated Notes

On January 25, 1999, the Company completed its offering of $150.0 million Senior Subordinated Notes. The Senior Subordinated Notes bear interest at 9 3/8% and mature on February 1, 2009. The Company pays interest on the Senior Subordinated Notes on February 1 and August 1 of each year. The Senior Subordinated Notes are unsecured obligations and are subordinated to all existing and future senior indebtedness. The Senior Subordinated Notes are guaranteed on a senior subordinated basis by all of the Company's subsidiaries. Under the terms of the Senior Subordinated Notes, the Company is required to comply with various affirmative and negative covenants including: (i) restrictions on additional indebtedness, and (ii) restrictions on liens, guarantees and dividends.

4. PER SHARE INFORMATION

The following table reconciles the numerators and denominators of the basic and diluted earnings per share for the six months ended March 31, 2000 and 2001 (in thousands, except share information):

	Six Months Ended March 31,	
	2000	2001
Numerator:		
Net income	$ 129	$ 15,083
Denominator:		
Weighted average shares outstanding - basic	39,878,952	40,795,509
Effect of dilutive stock options	33,588	264,778
Weighted average shares outstanding - diluted	39,912,540	41,060,287
Earnings per share:		
Basic	$ --	$ 0.37
Diluted	$ --	$ 0.37

For the six months ended March 31, 2000 and 2001, stock options of 3.9 million and 5.1 million, respectively, were excluded from the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the Company's common stock.

The following table reconciles the numerators and denominators of the basic and diluted earnings (loss) per share for the three months ended March 31, 2000 and 2001 (in thousands, except share information):

	Three Months Ended March 31,	
	2000	2001
Numerator:		
Net income (loss)	$ (2,474)	$ 8,075
Denominator:		
Weighted average shares outstanding - basic	40,379,289	40,835,149
Effect of dilutive stock options	--	258,832
Weighted average shares outstanding - diluted	40,379,289	41,093,981
Earnings (loss) per share:		
Basic	$ (0.06)	$ 0.20
Diluted	$ (0.06)	$ 0.20

For the three months ended March 31, 2000, stock options of 4.4 million were excluded from the computation of diluted earnings (loss) per share as the Company reported a net loss for this period. For the three months ended March 31, 2001, stock options of 5.1 million were excluded from the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the Company's common stock.

5. OPERATING SEGMENTS

The Company follows SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Certain information is disclosed, per SFAS No. 131, based on the way management organizes financial information for making operating decisions and assessing performance.

The Company's reportable segments are strategic business units that offer products and services to four distinct customer groups. They are managed separately because each business requires different operating and marketing strategies.

During fiscal 2000, the Company aligned its operations among two complementary core businesses: electrical contracting and communications solutions. Within the electrical contracting business, the Company has three reportable segments: commercial/industrial, residential and service and maintenance. The commercial/industrial segment provides design, installation, renovation and upgrades and replacement services in facilities such as office buildings, high-rise apartments and condominiums, theaters, restaurants, hotels, hospitals and critical-care facilities, school districts, manufacturing and processing facilities, military installations, airports, refineries and petrochemical and power plants. The residential segment consists of installation, replacement and renovation services in single family and low-rise multifamily housing units. The service and maintenance segment provides maintenance and replacement services from service calls and routine maintenance contracts. The communications solutions business provides installation service and maintenance, design, engineering and support services to outside plant, network enterprise and switch network customers. Other includes expenses associated with the Company's home office and regional infrastructure.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on income from operations of the respective business units prior to unallocated home office expenses. Management allocates costs between segments for selling, general and administrative expenses, goodwill amortization, depreciation expense, capital expenditures and total assets. Those methods used for allocation may change in the future.

Segment information for the six months ended March 31, 2000 and 2001 is as follows (in thousands):

	SIX MONTHS ENDED MARCH 31, 2000						
	ELECTRICAL CONTRACTING						
	COMMERCIAL/ INDUSTRIAL	RESIDENTIAL	SERVICE AND MAINTENANCE	SUBTOTAL	COMMUNICATIONS SOLUTIONS	OTHER	TOTAL
Revenues	$468,243	$116,234	$ 60,184	$644,661	$ 60,857	$ --	$705,518
Cost of services (including depreciation)	400,018	90,750	47,149	537,917	45,121	--	583,038
Gross profit	68,225	25,484	13,035	106,744	15,736	--	122,480
Selling, general and administrative	48,599	12,081	6,247	66,927	8,100	24,763	99,790
Goodwill amortization	4,825	926	510	6,261	459	--	6,720
Operating income	$ 14,801	$ 12,477	$ 6,278	$ 33,556	$ 7,177	$(24,763)	$ 15,970
Other data:							
Depreciation expense	$ 3,163	$ 528	$ 373	$ 4,064	$ 1,220	$ 5,913	$ 11,197
Capital expenditures	5,236	1,079	2,220	8,535	1,164	5,711	15,410
Total assets	653,642	106,669	84,014	844,325	66,615	23,171	934,111

	SIX MONTHS ENDED MARCH 31, 2001						
	ELECTRICAL CONTRACTING						
	COMMERCIAL/ INDUSTRIAL	RESIDENTIAL	SERVICE AND MAINTENANCE	SUBTOTAL	COMMUNICATIONS SOLUTIONS	OTHER	TOTAL
Revenues	$570,422	$122,118	$ 69,234	$761,774	$ 83,813	$ --	$845,587
Cost of services (including depreciation)	481,196	94,170	53,325	628,691	65,606	--	694,297
Gross profit	89,226	27,948	15,909	133,083	18,207	--	151,290
Selling, general and administrative	54,941	14,349	6,668	75,958	9,063	18,752	103,773
Goodwill amortization	4,598	926	510	6,034	459	--	6,493
Operating income	$ 29,687	$ 12,673	$ 8,731	$ 51,091	$ 8,685	$(18,752)	$ 41,024
Other data:							
Depreciation expense	$ 4,090	$ 828	$ 448	$ 5,366	$ 1,687	$ 409	$ 7,462
Capital expenditures	4,289	1,035	1,349	6,673	2,429	3,281	12,383
Total assets	667,451	112,639	81,011	861,101	88,502	48,280	997,883

Segment information for the three months ended March 31, 2000 and 2001 is as follows (in thousands):

	THREE MONTHS ENDED MARCH 31, 2000						
	ELECTRICAL CONTRACTING						
	COMMERCIAL/ INDUSTRIAL	RESIDENTIAL	SERVICE AND MAINTENANCE	SUBTOTAL	COMMUNICATIONS SOLUTIONS	OTHER	TOTAL
Revenues	$248,190	$ 60,952	$ 27,349	$336,491	$ 33,836	$ --	$370,327
Cost of services (including depreciation)	213,798	47,738	21,483	283,019	24,448	--	307,467
Gross profit	34,392	13,214	5,866	53,472	9,388	--	62,860
Selling, general and administrative	23,769	5,842	2,542	32,153	5,051	17,240	54,444
Goodwill amortization	2,309	463	255	3,027	229	--	3,256
Operating income	$ 8,314	$ 6,909	$ 3,069	$ 18,292	$ 4,108	$(17,240)	5,160
Other data:							
Depreciation expense	$ 1,696	$ 238	$ 171	$ 2,105	$ 640	$ 5,818	$ 8,563
Capital expenditures	2,624	533	495	3,652	742	3,227	7,621
Total assets	653,642	106,669	84,014	844,325	66,615	23,171	934,111

	THREE MONTHS ENDED MARCH 31, 2001						
	ELECTRICAL CONTRACTING						
	COMMERCIAL/ INDUSTRIAL	RESIDENTIAL	SERVICE AND MAINTENANCE	SUBTOTAL	COMMUNICATIONS SOLUTIONS	OTHER	TOTAL
Revenues	$277,607	$ 60,245	$ 35,310	$373,162	$ 45,395	$ --	$418,557
Cost of services (including depreciation)	231,331	46,169	27,992	305,492	36,316	--	341,808
Gross profit	46,276	14,076	7,318	67,670	9,079	--	76,749
Selling, general and administrative	27,528	6,311	3,405	37,244	3,904	10,660	51,808
Goodwill amortization	2,297	463	255	3,015	229	--	3,244
Operating income	$ 16,451	$ 7,302	$ 3,658	$ 27,411	$ 4,946	$(10,660)	$ 21,697
Other data:							
Depreciation expense	$ 2,027	$ 426	$ 254	$ 2,707	$ 884	$ 219	$ 3,810
Capital expenditures	1,707	368	914	2,989	966	2,834	6,789
Total assets	667,451	112,639	81,011	861,101	88,502	48,280	997,883

The Company does not have significant operations or long-lived assets in countries outside of the United States.

6. 1999 INCENTIVE COMPENSATION PLAN

In November 1999 the Board of Directors adopted the 1999 Incentive Compensation Plan (the "1999 Plan"). The 1999 Plan authorizes the Compensation Committee of the Board of Directors or the Board of Directors to grant employees of the Company awards in the form of options, stock appreciation rights, restricted stock or other stock based awards. The Company has up to 5.5 million shares of Common Stock authorized for issuance under the 1999 Plan.

In December 1999 and March 2000, the Company granted restricted stock awards of 609,306 and 400,000, respectively under its stock plans to certain of its employees. The December 1999 awards vested in equal installments on May 31, 2000, and August 31, 2000, provided that the recipient was still employed by the Company. The March 2000 award vests in equal installments on March 20th of each year through 2004, provided the recipient is still employed by the Company. The market value of the underlying stock on the date of grant for the December 1999 and March 2000 awards was $5.2 million and $2.3 million, respectively, which is being recognized as compensation expense over the related vesting periods. During the six months ended March 31, 2000 and 2001, the Company amortized $2.2 million and $0.3 million, respectively, to expense in connection with these awards. During the three months ended March 31, 2000 and 2001, the Company amortized $1.8 million and $0.1 million, respectively.

7. COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal proceedings that have arisen in the ordinary course of business. While it is not possible to predict the outcome of such proceedings with certainty, in the opinion of the Company, all such proceedings are either adequately covered by insurance or, if not so covered should not ultimately result in any liability which would have a material adverse effect on the financial position, liquidity or results of operations of the Company. The Company expenses routine legal costs related to such proceedings as incurred.

The Company has committed to invest an additional $4.3 million in certain investment opportunities.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following should be read in conjunction with the response to Part I, Item 1 of this Report. Any capitalized terms used but not defined in this Item have the same meaning given to them in Part I, Item 1. This report on Form 10-Q includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on our expectations and involve risks and uncertainties that could cause our actual results to differ materially from those set forth in the statements. Such risks and uncertainties include, but are not limited to, the inherent uncertainties related to estimating future results, fluctuations in operating results because of downturns in levels of construction, incorrect estimates used in entering into fixed price contracts, difficulty in managing the operation and growth of existing and newly acquired businesses, the high level of competition in the construction industry and the effects of seasonality. The foregoing and other factors are discussed in our filings with the SEC including our Annual Report on Form 10-K for the year ended September 30, 2000.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED MARCH 31, 2000 COMPARED TO THE SIX MONTHS ENDED MARCH 31, 2001

The following table presents selected unaudited historical financial information for the six months ended March 31, 2000 and 2001. The historical results of operations presented below include the results of operations of our acquired companies beginning on their respective dates of acquisition.

	Six Months Ended March 31,			
	2000	%	2001	%
	(dollars in millions)			
Revenues	$705.5	100%	$845.6	100%
Cost of services (including depreciation)	583.0	83%	694.3	82%
Gross profit	122.5	17%	151.3	18%
Selling, general & administrative expenses	99.8	14%	103.8	12%
Goodwill amortization	6.7	1%	6.5	1%
Income from operations	16.0	2%	41.0	5%
Interest and other expense, net	10.7	1%	12.7	1%
Income before income taxes	5.3	1%	28.3	4%
Provision for income taxes	5.2	1%	13.2	2%
Net income	$ 0.1	--%	$ 15.1	2%

REVENUES

	PERCENT OF TOTAL REVENUES	
	SIX MONTHS ENDED MARCH 31,	
	2000	2001
Commercial and Industrial	66%	67%
Residential	16%	15%
Service and Maintenance	9%	8%
Communications Solutions	9%	10%
Total Company	100%	100%

Revenues from all segments increased $140.1 million, or 20%, from $705.5 million for the six months ended March 31, 2000, to $845.6 million for the six months ended March 31, 2001. Total same store revenues increased approximately $116.7 million, or 17%, from $705.5 million for the six months ended March 31, 2000, to $822.2 million for the six months ended March 31, 2001. The increase in revenues is primarily the result of acquisitions made during the three months ended December 31, 1999, and increased awards of construction contracts in the markets we serve.

Commercial and industrial revenues increased $102.2 million, or 22%, from $468.2 million for the six months ended March 31, 2000, to $570.4 million for the six months ended March 31, 2001. This increase is primarily the result of acquisitions and increased awards of construction contracts in the markets we serve.

Residential revenues increased $5.9 million, or 5%, from $116.2 million for the six months ended March 31, 2000, to $122.1 million for the six months ended March 31, 2001. This increase primarily results from an acquisition made during the three months ended December 31, 1999.

Service and maintenance revenues increased $9.0 million, or 15%, from $60.2 million for the six months ended March 31, 2000, to $69.2 million for the six months ended March 31, 2001. This increase in revenues is primarily the result of company-wide efforts to expand our service and maintenance business.

Communications solutions revenues increased $22.9 million, or 38%, from $60.9 million for the six months ended March 31, 2000, to $83.8 million for the six months ended March 31, 2001. This increase is primarily the result of company-wide efforts to grow our communications solutions business and increased awards of communications solutions contracts during the six months ended March 31, 2001.

GROSS PROFIT

	SEGMENT GROSS PROFIT MARGINS AS A PERCENT OF SEGMENT REVENUES	
	SIX MONTHS ENDED MARCH 31,	
	2000	2001
Commercial and Industrial ...	15%	16%
Residential	22%	23%
Service and Maintenance	22%	23%
Communications Solutions	26%	22%
Total Company	17%	18%

Gross profit increased $28.8 million, or 24%, from $122.5 million for the six months ended March 31, 2000, to $151.3 million for the six months ended March 31, 2001. Gross profit margin as a percentage of revenues increased approximately 1% from 17% for the six months ended March 31, 2000 to 18% for the six months ended March 31, 2001. This increase in gross profit margin as a percentage of revenues was primarily the result of losses recorded on fixed-price contracts at one subsidiary during the six months ended March 31, 2000, and increased efficiency in serving our customers for the six months ended March 31, 2001.

Commercial and industrial gross profit increased $21.0 million, or 31%, from $68.2 million for the six months ended March 31, 2000, to $89.2 million for the six months ended March 31, 2001. Commercial and industrial gross profit margin as a percentage of revenues increased approximately 1% from 15% for the six months ended March 31, 2000, to 16% for the six months ended March 31, 2001. This increase in gross profit margin as a percentage of revenues was primarily due to the completion of several contracts at higher than anticipated margins and the impact of losses recorded on fixed-price contracts at one subsidiary during the six months ended March 31, 2000.

Residential gross profit increased $2.4 million, or 9%, from $25.5 million for the six months ended March 31, 2000, to $27.9 million for the six months ended March 31, 2001. Residential gross profit margin as a percentage of revenues increased approximately 1% from 22% for the six months ended March 31, 2000, to 23% for the six months ended March 31, 2001. This increase in gross profit margin as a percent of revenues primarily resulted from the designation of the residential business as a separate segment and managing it from our other electrical work.

Service and maintenance gross profit increased $2.9 million, or 22%, from $13.0 million from the six months ended March 31, 2000, to $15.9 million for the six months ended March 31, 2001. Service and maintenance gross profit margin as a percentage of revenues increased to 23% for the six months ended March 31, 2001, from 22% for the six months ended March 31, 2000. This increase resulted from increased efficiencies in the delivery of service and maintenance to our customers.

Communication solutions gross profit increased $2.5 million, or 16%, from $15.7 million for the six months ended March 31, 2000, to $18.2 million for the six months ended March 31, 2001. Communication solutions gross profit margin as a percentage of revenues decreased to 22% for the six months ended March 31, 2001 from 26% for the six months ended March 31, 2000. This decrease was the result of increased costs associated with our company-wide effort to continue to grow this business and the completion of several projects at lower than planned margins.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased $4.0 million, or 4%, from $99.8 million for the six months ended March 31, 2000, to $103.8 million for the six months ended March 31, 2001. Selling, general and administrative expenses as a percentage of revenues decreased approximately 2%, from 14% for the six months ended March 31, 2000 to 12% for the six months ended March 31, 2001. This decrease primarily resulted from $9.8 million of expenses incurred during the six months ended March 31, 2000, related to restricted stock awards and our decision to curtail the development of an information system in March 2000.

INCOME FROM OPERATIONS

Income from operations increased $24.4 million, from $16.0 million for the six months ended March 31, 2000, to $40.4 million for the six months ended March 31, 2001. This increase in income from operations was primarily attributed to the revenue growth due to increased construction activity in the markets we serve and the absence in the six months ended March 31, 2001 of certain selling, general and administrative expenses incurred during the six months ended March 31, 2000 as described above.

NET INTEREST AND OTHER EXPENSE

Interest and other expense, net increased from $10.7 million for the six months ended March 31, 2000, to $12.7 million for the six months ended March 31, 2001, primarily as a result of increased interest expense on borrowings.

PROVISION FOR INCOME TAXES

Our effective tax rate decreased from the six months ended March 31, 2000, to the six months ended March 31, 2001. The lower effective tax rate in the current six month period was the result of a non-deductible goodwill amortization and non-cash compensation expense related to restricted stock awards during the six months ended March 31, 2000 representing a smaller percentage of our pre-tax income in such period.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2000 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2001

The following table presents selected unaudited historical financial information for the three months ended March 31, 2000 and 2001. The historical results of operations presented below includes the results of operations of our acquired companies beginning on their respective dates of acquisition.

	Three Months Ended March 31,			
	2000	%	2001	%
	(dollars in millions)			
Revenues	$370.3	100%	$418.6	100%
Cost of services (including depreciation)	307.4	83%	341.9	82%
Gross profit	62.9	17%	76.7	18%
Selling, general & administrative expenses	54.4	14%	51.8	12%
Goodwill amortization	3.3	1%	3.2	1%
Income from operations	5.2	2%	21.7	5%
Interest and other expense, net	6.1	2%	6.7	1%
Income (loss) before income taxes	(0.9)	0%	15.0	4%
Provision for income taxes	1.6	1%	6.9	2%
Net income (loss)	$ (2.5)	(1)%	$ 8.1	2%

REVENUES

	PERCENT OF TOTAL REVENUES	
	THREE MONTHS ENDED MARCH 31,	
	2000	2001
Commercial and Industrial ...	67%	66%
Residential	16%	15%
Service and Maintenance	8%	8%
Communications Solutions	9%	11%
Total Company	100%	100%

Revenues from all segments increased $48.3 million, or 13%, from $370.3 million for the three months ended March 31, 2000, to $418.6 million for the three months ended March 31, 2001. The increase in revenues is primarily the result of increased awards of construction contracts in the markets we serve.

Commercial and industrial revenues increased $29.4 million, or 12%, from $248.2 million for the three months ended March 31, 2000, to $277.6 million for the three months ended March 31, 2001. This increase is primarily the result of increased awards of construction contracts in the markets we serve.

Residential revenues decreased $0.8 million, or 1%, from $61.0 million for the three months ended March 31, 2000, to $60.2 million for the three months ended March 31, 2001, due to our decision to focus growth at a subsidiary in Florida on higher margin work and therefore reduce volume.

Service and maintenance revenues increased $8.0 million, or 29%, from $27.3 million for the three months ended March 31, 2000, to $35.3 million for the three months ended March 31, 2001. This increase in revenues is primarily the result of company-wide efforts to expand our service and maintenance business.

Communications solutions revenues increased $11.6 million, or 34%, from $33.8 million for the three months ended March 31, 2000, to $45.4 million for the three months ended March 31, 2001. This increase is primarily the result of company-wide efforts to grow our communications solutions business and increased awards of communications solutions contracts during the three months ended March 31, 2001.

GROSS PROFIT

	SEGMENT GROSS PROFIT MARGINS AS A PERCENT OF SEGMENT REVENUES	
	THREE MONTHS ENDED MARCH 31,	
	2000	2001
Commercial and Industrial	14%	17%
Residential	22%	23%
Service and Maintenance	22%	21%
Communications Solutions	28%	20%
Total Company	17%	18%

Gross profit increased $13.8 million, or 22%, from $62.9 million for the three months ended March 31, 2000, to $76.7 million for the three months ended March 31, 2001. Gross profit margin as a percentage of revenues increased approximately 1% from 17% for the three months ended March 31, 2000 to 18% for the three months ended March 31, 2001. The increase in gross profit margin as a percentage of revenues was primarily the result of losses recorded on fixed-price contracts at one subsidiary during the three months ended March 31, 2000 and improved efficiency in serving our customers for the three months ended March 31, 2000.

Commercial and industrial gross profit increased $11.9 million, or 35%, from $34.4 million for the three months ended March 31, 2000, to $46.3 million for the three months ended March 31, 2001. Commercial and industrial gross profit margin as a percentage of revenues increased 3% from 14% for the three months ended March 31, 2000, to 17% for the three months ended March 31, 2001. The increase in gross profit margin as a percentage of revenues was primarily due to the completion of several contracts at higher than anticipated margins and the impact of losses recorded on fixed-price contracts at one subsidiary during the three months ended March 31, 2000.

Residential gross profit increased $0.9 million, or 7%, from $13.2 million for the three months ended March 31, 2000, to $14.1 million for the three months ended March 31, 2001. Residential gross profit margin as a percentage of revenues increased 1% from 22% for the three months ended March 31, 2000, to 23% for the three months ended March 31, 2001. This increase in gross profit margin as a percent of revenues primarily resulted from the designation of the residential business as a separate segment and managing it apart from our other electrical work.

Service and maintenance gross profit increased $1.4 million, or 24%, from $5.9 million from the three months ended March 31, 2000, to $7.3 million for the three months ended March 31, 2001. Service and maintenance gross profit margin as a percent of revenues decreased from 22% for the three months ended March 31, 2000, to 21% for the three months ended March 31, 2001. This decrease is the result of increased costs associated with our company-wide effort to grow this business.

Communication solutions gross profit decreased $0.3 million, or 3%, from $9.4 million for the three months ended March 31, 2000, to $9.1 million for the three months ended March 31, 2001. Communication solutions gross profit margin as a percentage of revenues decreased to 20% for the three months ended March 31, 2001, from 28% for the three months ended March 31, 2000. This decrease was the result of increased costs associated with our company-wide effort to continue to grow this business and the completion of several projects at lower than planned margins.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses decreased $2.6 million, or 5%, from $54.4 million for the three months ended March 31, 2000, to $51.8 million for the three months ended March 31, 2001. Selling, general and administrative expenses as a percentage of revenues decreased approximately 2%, from 14% for the three months ended March 31, 2000 to 12% for the three months ended March 31, 2001. This decrease primarily resulted from $9.5 million of expenses incurred during the three months ended March 31, 2000, related to restricted stock awards and our decision to curtail the development of an information system in March 2000.

INCOME FROM OPERATIONS

Income from operations increased $16.5 million, from $5.2 million for the three months ended March 31, 2000, to $21.7 million for the three months ended March 31, 2001. This increase in income from operations was primarily attributed to the revenue growth due to increased construction activity in the markets we serve and the absence in the three months ended March 31, 2001 of certain selling, general and administrative expenses incurred during the three months ended March 31, 2000 as described above.

NET INTEREST AND OTHER EXPENSE

Interest and other expense, net increased from $6.1 million for the three months ended March 31, 2000, to $6.7 million for the three months ended March 31, 2001, primarily as a result of increases in other expenses.

PROVISION FOR INCOME TAXES

Our effective tax rate decreased from the three months ended March 31, 2000 to the three months ended March 31, 2001. The lower effective tax rate in the current three month period is the result of non-deductible goodwill amortization and non-cash compensation expense related to restricted stock awards during the three months ended March 31, 2000 representing a smaller percentage of our pre-tax income in such period.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2001, we had cash and cash equivalents of $0.6 million, working capital of $106.0 million, borrowings of $109.0 million under our credit facility, $5.3 million of letters of credit outstanding, and available capacity under our credit facility of $60.7 million. The amount outstanding under our senior subordinated notes was $150.0 million.

During the six months ended March 31, 2001, we generated $1.0 million of net cash from operating activities. This net cash provided by operating activities is comprised of net income of $15.1 million, increased by $14.2 million of non-cash charges related primarily to depreciation and amortization expense and decreased by changes in working capital. Working capital changes consisted of a $37.5 million decrease in accounts receivable as a result of the timing of collections, offset by $55.9 million decrease in accounts payable and accrued expenses as a result of the timing of payments, including taxes, interest and claims under our insurance policies. Working capital changes also included a $12.3 million increase in prepaid and other current assets, with the balance of the change due to other working capital changes. Net cash used in investing activities was $16.9 million, consisting primarily of $12.4 million used for capital expenditures and $4.8 million for the purchase of available for sale securities. Net cash provided by financing activities was $15.8 million, resulting primarily from borrowings, net of repayments under our credit facility.

During the three months ended March 31, 2001, we generated $22.3 million of net cash from operating activities. This net cash provided by operating activities is comprised of net income of $8.1 million, increased by $7.2 million of non-cash charges related primarily to depreciation and amortization expense and increased by changes in working capital. Working capital changes consisted of a $20.5 million decrease in accounts receivable as a result of the timing of collections, increased by $4.2 million increase in accounts payable and accrued expenses as a result of the timing of payments, including taxes, interest and claims under our insurance policies. Working capital changes also included an $8.4 million decrease in billings in excess of costs and estimated earnings on uncompleted contracts, an increase in prepaid expenses and other current assets of $5.9 million, with the balance of the change due to other working capital changes. Net cash used in investing activities was $6.5 million, consisting primarily of $6.8 million used for capital expenditures. Net cash used by financing activities was $15.8 million, resulting primarily from repayments, net of borrowings under our credit facility.

We currently have a $175.0 million credit facility with a syndicate of banks to be used for working capital, capital expenditures, other corporate purposes and acquisitions.

The amounts borrowed under the credit facility bear interest at an annual rate equal to either:

- LIBOR plus 1.25% to 2.25%, as determined by the ratio of our total funded debt to EBITDA; or

- the higher of

    - the bank's prime rate, or

    - the federal funds rate plus 0.50%, plus up to an additional 0.75% as determined by the ratio of our total funded debt to EBITDA.

Commitment fees of 0.25% to 0.50%, as determined by the ratio of total funded debt to EBITDA, are due on any unused borrowing capacity under the credit facility. Our subsidiaries have guaranteed the repayment of all amounts due under the facility, and the facility is secured by the capital stock of the guarantors and the accounts receivable of IES and the guarantors. The credit facility:

- requires the consent of the lenders for acquisitions exceeding a set level of cash consideration;

- prohibits the payment of cash dividends on our common stock;

- restricts our ability to incur other indebtedness; and

- requires us to comply with material financial covenants.

Availability of the credit facility is subject to customary drawing conditions.

Our credit facility matures on July 30, 2001. We are currently in negotiations with several banks to refinance the credit facility to $150.0 million. As of May 11, 2001, we have commitments of $130.0 million towards the new credit facility. We believe we will be successful in refinancing the current credit facility prior to its maturity.

On January 25, 1999, we completed our offering of $150.0 million Series B senior subordinated notes. The notes bear interest at 9 3/8% and will mature on February 1, 2009. We pay interest on the notes on February 1 and August 1 of each year, commencing August 1, 1999. The notes are unsecured senior subordinated obligations and are subordinated to all our existing and future senior indebtedness. The notes are guaranteed on a senior subordinated basis by all of our subsidiaries. Under the terms of the notes, we are required to comply with various affirmative and negative covenants including (1) restrictions on additional indebtedness, and (2) restrictions on liens, guarantees and dividends.

We anticipate that our cash flow from operations and proceeds from the credit facility will provide sufficient cash to enable us to meet our working capital needs, debt service requirements and planned capital expenditures for property and equipment through the next twelve months.

We intend to continue to pursue selected acquisition opportunities. We may be in various stages of negotiation, due diligence and documentation of potential acquisitions at any time. The timing, size or success of any acquisition effort and the associated potential capital commitments cannot be predicted. We expect to fund future acquisitions primarily with working capital, cash flow from operations and borrowings, including any unborrowed portion of the credit facility, as well as issuances of additional equity or debt. To the extent we fund a significant portion of the consideration for future acquisitions with cash, we may have to increase the amount available for borrowing under our credit facility or obtain other sources of financing through the public or private sale of debt or equity securities. There can be no assurance that we will be able to secure this financing if and when it is needed or on terms we consider acceptable. We expect capital expenditures for equipment and expansion of facilities to be funded from cash flow from operations and supplemented as necessary by borrowings under our credit facility.

We do not utilize financial instruments for trading purposes and hold no derivative financial instruments which could expose us to significant market risk. We may, however, decide to hold derivative financial instruments in the future, which would effectively convert a portion of our fixed interest rate debt into a floating rate. Our current exposure to market risk for changes in interest rates relates primarily to its long-term obligation under the credit facility and its long-term obligations under the existing senior subordinated notes, of which $109.0 million and $150.0 million has been borrowed as of March 31, 2001. The credit facility matures on July 30, 2001 and the existing senior subordinated notes mature on February 1, 2009.

All of our operating income and cash flows are generated by our wholly owned subsidiaries, which are the subsidiary guarantors of our outstanding senior subordinated notes. The separate financial statements of the subsidiary guarantors are not included herein because (i) the subsidiary guarantors are all of the direct and indirect subsidiaries of the Company; (ii) the subsidiary guarantors have fully and unconditionally, jointly and severally guaranteed the Senior Subordinated Notes; (iii) the aggregate assets, liabilities, earnings, and equity of the subsidiary guarantors is substantially equivalent to the assets, liabilities, earnings and equity of the Company on a consolidated basis; and (iv) the presentation of separate financial statements and other disclosures concerning the subsidiary guarantors is not deemed material.

SEASONALITY AND QUARTERLY FLUCTUATIONS

Our results of operations, particularly from residential construction, are seasonal, depending on weather trends, with typically higher revenues generated during the spring and summer and lower revenues during the fall and winter. The commercial and industrial aspect of our business is less subject to seasonal trends, as this work generally is performed inside structures protected from the weather. Our service business is generally not affected by seasonality. In addition, the construction industry has historically been highly cyclical. Our volume of business may be adversely affected by declines in construction projects resulting from adverse regional or national economic conditions. Quarterly results may also be materially affected by gross margins in both bid and negotiated projects, the timing of new construction projects and any acquisitions. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

ACCOUNTING PRONOUNCEMENTS

In December 1999, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 101 (SAB 101). SAB 101 reflects the basic principles of revenue recognition in existing accounting principles generally accepted in the United States, and does not supersede any existing authoritative literature. We recognize revenue from construction contracts on the percentage-of-completion method in accordance with the American Institute of Certified Public Accountants Statement of Position 81-1, "Accounting for Performance of Construction - Type and Certain Production - Type Contracts," and as a result, SAB 101 requires no changes to our existing revenue recognition policies.

Statement of Financial Account Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, is required to be adopted for fiscal years beginning after June 15, 2000. We adopted SFAS No. 133, as amended, on October 1, 2000. Adoption of this statement did not have a material impact on the financial position or results of our operations, as we have not engaged or entered into any arrangements usually associated with derivative instruments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management is actively involved in monitoring exposure to market risk and continues to develop and utilize appropriate risk management techniques. We are not exposed to any significant market risks, including commodity price risk, foreign currency exchange risk or interest rate risks from the use of derivative financial instruments. Further, management does not use derivative financial instruments for trading or to speculate on changes in interest rates or commodity prices.

As a result, our exposure to changes in interest rates results from our short-term and long-term debt, with both fixed and floating interest rates. The following table presents principal or notional amounts (stated in thousands) and related interest rates by year of maturity for our debt obligations and their indicated fair market value at March 31, 2001.

	2001	2002	2003	2004	2005	Thereafter	Total
Liabilities-Debt:							
Variable Rate (Credit Facility)	$ 109,000	--	--	--	--	--	$ 109,000
Average Interest Rate	7.448%	--	--	--	--	--	7.448%
Fixed Rate (Senior Subordinated Notes)	--	--	--	--	--	$ 150,000	$ 150,000
Average Interest Rate	9.375%	9.375%	9.375%	9.375%	9.375%	9.375%	9.375%

Fair Value of Debt:
Variable Rate.. $109,000
Fixed Rate... $145,688

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(A) The Company held its annual meeting of stockholders in Houston, Texas on February 7, 2001. The following sets forth matters submitted to a vote of the stockholders:

(B) The following individuals were elected to the Board of Directors as stated in the Company's Proxy Statement dated December 28, 2000, for terms expiring at the 2004 annual stockholders' meeting or until their successors have been elected and qualified - Class III Directors: Don P. Hodel, H. David Ramm and Ben L. Mueller.

Mr. Hodel was elected by a vote of 28,111,208 shares, being more than a majority of the common stock of the Company, and 114,042 shares withheld. Mr. Ramm was elected by a vote of 28,122,867 shares, being more than a majority of the common stock of the Company, and 102,383 withheld. Mr. Mueller was elected by a vote of 28,111,037 shares, being more than a majority of the common stock of the Company, and 114,213 withheld.

(C) The stockholders ratified the appointment of Arthur Andersen LLP to audit the financial statements of the Company and its subsidiaries, by a vote of 29,234,085 shares, being more than a majority of the common stock and restricted voting common stock of the Company, with 291,122 shares of common stock voted against, and 2,897 shares of common stock abstained.

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, who has signed this report on behalf of the Registrant and as the principal financial officer of the Registrant.

INTEGRATED ELECTRICAL SERVICES, INC.

Date: May 11, 2001

By: /s/ William W. Reynolds

William W. Reynolds
Executive Vice President and
Chief Financial Officer