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 June 30, 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 August 10, 2001, of the issuer's common stock was 37,114,325 and of the issuer's restricted voting common stock was 2,605,709.

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

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

	September 30, 2000 (Audited)	June 30, 2001 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 770	$ 421
Accounts receivable:		
Trade, net of allowance of $7,121 and $5,463 respectively	300,038	268,129
Retainage	67,851	65,405
Related parties	256	225
Costs and estimated earnings in excess of billings on uncompleted contracts	51,119	55,610
Inventories, net	16,861	21,019
Prepaid expenses and other current assets	8,857	27,833
Total current assets	445,752	438,642
PROPERTY AND EQUIPMENT, net	61,367	68,774
GOODWILL, net	496,212	485,899
OTHER NON-CURRENT ASSETS	16,659	24,572
Total assets	$ 1,019,990	$ 1,017,887
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt and current maturities of long-term debt	$ 93,903	$ 787
Accounts payable and accrued expenses	202,047	146,257
Income taxes payable	1,166	7,150
Billings in excess of costs and estimated earnings on uncompleted contracts	56,993	59,006
Total current liabilities	354,109	213,200
LONG-TERM DEBT, net of current maturities	1,162	994
SENIOR SUBORDINATED NOTES, net of $1,073 and $5,117 unamortized discount, respectively	148,927	269,883
OTHER NON-CURRENT LIABILITIES	8,043	8,412
Total liabilities	512,241	492,489
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 38,330,676 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, none and 1,217,347 shares, respectively	--	(8,909)
Additional paid-in capital	427,332	428,193
Retained earnings	80,009	105,625
Accumulated other comprehensive income	--	80
Total stockholders' equity	507,749	525,398
Total liabilities and stockholders' equity	$ 1,019,990	$ 1,017,887

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)

	Nine Months Ended June 30,	
	2000	2001
	(Unaudited)	
Revenues	$ 1,157,667	$ 1,269,575
Cost of services (including depreciation)	957,139	1,036,530
Gross profit	200,528	233,045
Selling, general and administrative expenses	150,864	156,744
Goodwill amortization	9,966	9,737
Income from operations	39,698	66,564
Other (income)/expense:		
Interest expense	17,156	18,993
Gain on sales of assets	(92)	(98)
Other (income) expense, net	(935)	367
	16,129	19,262
Income before income taxes	23,569	47,302
Provision for income taxes	13,356	21,686
Net income	$ 10,213	$ 25,616
Other comprehensive income, net of tax:		
Unrealized gains from available for sale securities	--	80
Comprehensive income	$ 10,213	$ 25,696
Basic earnings per share	$ 0.25	$ 0.63
Diluted earnings per share	$ 0.25	$ 0.62
Shares used in the computation of earnings per share (Note 4)		
Basic	40,066,403	40,637,478
Diluted	40,649,541	41,114,463

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 June 30, 2000	Three Months Ended June 30, 2001
	(Unaudited)	
Revenues	$ 452,149	$ 423,988
Cost of services (including depreciation)	374,101	342,233
Gross profit	78,048	81,755
Selling, general and administrative expenses	51,074	52,971
Goodwill amortization	3,246	3,244
Income from operations	23,728	25,540
Other (income)/expense:		
Interest expense	5,761	6,499
(Gain)/loss on sale of assets	97	(21)
Other (income)/expense, net	(383)	54
	5,475	6,532
Income before income taxes	18,253	19,008
Provision for income taxes	8,169	8,475
Net income	$ 10,084	$ 10,533
Other comprehensive income, net of tax:		
Unrealized losses from available for sale securities	--	(27)
Comprehensive income	$ 10,084	$ 10,506
Basic earnings per share	$ 0.25	$ 0.26
Diluted earnings per share	$ 0.25	$ 0.26
Shares used in the computation of earnings per share (Note 4)		
Basic	40,443,370	40,321,415
Diluted	40,791,970	40,956,004

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)	224,428	2	(50,000)	(1)	--	--
Purchase of stock (unaudited)	--	--	--	--	(1,429,573)	(10,104)
Sale of stock (unaudited) .	--	--	--	--	207,642	1,173
Options exercised (unaudited)	7,169	--	--	--	4,584	22
Unrealized holding gain on securities (unaudited) .	--	--	--	--	--	--
Net income (unaudited)	--	--	--	--	--	--
BALANCE, June 30, 2001 (unaudited)	38,330,676	$ 383	2,605,709	$ 26	(1,217,347)	$ (8,909)

	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)	1,028	--	--	1,029
Purchase of stock (unaudited)	--	--	--	(10,104)
Sale of stock (unaudited) .	(193)	--	--	980
Options exercised (unaudited)	26	--	--	48
Unrealized holding gain on securities (unaudited) .	--	--	80	80
Net income (unaudited)	--	25,616	--	25,616
BALANCE, June 30, 2001 (unaudited)	$ 428,193	$ 105,625	$ 80	$ 525,398

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)

	Nine Months Ended June 30, 2000	Nine Months Ended June 30, 2001
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 10,213	$ 25,616
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	24,508	21,354
Gain on sale of property and equipment	(92)	(98)
Non-cash compensation expense	4,147	426
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable, net	(26,507)	34,393
Inventories	(5,637)	(4,143)
Costs and estimated earnings recognized in excess of billings on uncompleted contracts	(5,343)	(4,146)
Prepaid expenses and other current assets	(5,810)	(18,827)
Increase (decrease) in:		
Accounts payable and accrued expenses	20,225	(55,704)
Billings in excess of costs and estimated earnings recognized on uncompleted contracts	22,624	2,358
Income taxes payable	(407)	5,984
Other, net	2,701	3,143
Net cash provided by operating activities	40,622	10,356
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of businesses, net of cash acquired	(33,225)	(233)
Additions to property and equipment	(21,062)	(19,743)
Investments in available for sale securities	--	(5,249)
Proceeds from sale of property and equipment	1,732	930
Net cash used by investing activities	(52,555)	(24,295)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	50,434	212,565
Repayments of debt	(40,662)	(185,570)
Purchase of treasury stock	--	(10,104)
Payments for debt issuance costs	--	(5,358)
Proceeds from issuance of stock	--	1,029
Proceeds from sale of treasury stock	--	980
Proceeds from exercise of stock options	3	48
Net cash provided by financing activities	9,775	13,590
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,158)	(349)
CASH AND CASH EQUIVALENTS, beginning of period	2,931	770
CASH AND CASH EQUIVALENTS, end of period	$ 773	$ 421
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for		
Interest	$ 17,415	$ 14,732
Income taxes	$ 17,615	$ 22,466

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 June 30, 2000	Three Months Ended June 30, 2001
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 10,084	$ 10,533
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	6,591	7,399
(Gain) loss on sale of property and equipment	97	(21)
Non-cash compensation expense	1,991	142
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable, net	(27,054)	(3,152)
Inventories	(3,054)	(3,618)
Costs and estimated earnings recognized in excess of billings on uncompleted contracts	(1,154)	(3,351)
Prepaid expenses and other current assets	186	(6,518)
Increase (decrease) in:		
Accounts payable and accrued expenses	11,425	242
Billings in excess of costs and estimated earnings recognized on uncompleted contracts	17,957	512
Income taxes payable	781	5,088
Other, net	5,318	2,053
Net cash provided by operating activities	23,168	9,309
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of business, net of cash acquired	(1,044)	--
Additions to property and equipment	(5,652)	(7,360)
Investments in available for sale securities	--	(400)
Proceeds from sale of property and equipment	442	411
Net cash used in investing activities	(6,254)	(7,349)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	2,030	155,565
Repayments of debt	(25,173)	(143,813)
Purchase of treasury stock	--	(8,648)
Payments for debt issuance costs	--	(5,358)
Proceeds from exercise of stock options	--	48
Proceeds from issuance of stock	--	34
Net cash used in financing activities	(23,143)	(2,172)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,229)	(212)
CASH AND CASH EQUIVALENTS, beginning of period	7,002	633
CASH AND CASH EQUIVALENTS, end of period	$ 773	$ 421
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for		
Interest	$ 5,908	$ 2,657
Income taxes	$ 1,242	$ 3,376

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 nine months ended June 30, 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"). The Company is structured as a holding company and substantially all of its assets and operations are held by its subsidiaries. There are currently no significant restrictions on the Company's ability to obtain funds from its 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.

On June 30, 2001 the Financial Accounting Standards Board ("FASB") adopted SFAS Nos. 141 "Business Combinations" and 142 "Goodwill and Other Intangible Assets." SFAS Nos. 141 and 142 are effective for fiscal years beginning after December 15, 2001. The Company plans to adopt these standards effective October 1, 2001. SFAS No. 141 requires that all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. The Company does not believe that the effect on financial statements of the adoption of SFAS No. 141 will be material. SFAS No.142 requires that goodwill no longer be amortized but be subject to an annual assessment for impairment based on a fair value test. In addition, acquired intangible assets are required to be separately recognized if the benefit of the asset is based on contractual or legal rights. The Company is currently assessing the Statement and believes it could have a material impact on its consolidated financial statements.

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 $6.8 million, of which $5.7 million was included in depreciation expense for the nine months ended June 30, 2000 to write-off the carrying value of the software costs, development costs and certain hardware and network infrastructure costs.

3. DEBT

Credit Facility

On May 22, 2001, the Company replaced its $175.0 million credit facility with a new $150.0 million revolving credit facility with a syndicate of lending institutions to be used for working capital, capital expenditure, acquisitions and other corporate purposes that matures May 22, 2004 (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 1.75 percent to 2.75 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 0.50 percent plus up to an additional 1.25 percent, as determined by the ratio of the Company's total funded debt to EBITDA. Commitment fees of 0.50 percent 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. Borrowings under the Credit Facility are limited to 66 2/3% of outstanding receivables (as defined in the Agreement). 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 repurchase shares of common stock, 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, a maximum total consolidated funded debt to EBITDA ratio, a maximum senior consolidated debt to EBITDA ratio, and a minimum interest coverage ratio. The Company was in compliance with the financial covenants at June 30, 2001. As of June 30, 2001, the Company had no outstanding indebtedness under its Credit Facility, letters of credit outstanding under its Credit Facility of $5.3 million, $1.8 million of other borrowings and available borrowing capacity under its Credit Facility of $144.7 million.

Senior Subordinated Notes

On January 25, 1999 and May 29, 2001, the Company completed offerings of $150.0 million and $125.0 million Senior Subordinated Notes, respectively. The offering completed on May 29, 2001, yielded $117.2 million in proceeds to the Company, net of a $4.2 million discount and $3.6 million in offering costs. The proceeds from the May 29, 2001, offering were used primarily to repay amounts outstanding under the Credit Facility. 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 nine months ended June 30, 2000 and 2001 (in thousands, except share information):

	Nine Months Ended June 30, 2000	Nine Months Ended June 30, 2001
Numerator:		
Net income	$ 10,213	$ 25,616
Denominator:		
Weighted average shares outstanding - basic	40,066,403	40,637,478
Effect of dilutive stock options	583,138	476,985
Weighted average shares outstanding - diluted	40,649,541	41,114,463
Earnings per share:		
Basic	$ 0.25	$ 0.63
Diluted	$ 0.25	$ 0.62

For the nine months ended June 30, 2000 and 2001, stock options of 4.4 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 per share for the three months ended June 30, 2000 and 2001 (in thousands, except share information):

	Three Months Ended June 30, 2000	Three Months Ended June 30, 2001
Numerator:		
Net income	$ 10,084	$ 10,533
Denominator:		
Weighted average shares outstanding - basic	40,443,370	40,321,415
Effect of dilutive stock options	348,600	634,589
Weighted average shares outstanding - diluted	40,791,970	40,956,004
Earnings per share:		
Basic	$ 0.25	$ 0.26
Diluted	$ 0.25	$ 0.26

For the three months ended June 30, 2000 and 2001, stock options of 5.1 million and 4.4 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.

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 nine months ended June 30, 2000 and 2001 is as follows (in thousands):

	NINE MONTHS ENDED JUNE 30, 2000						
	ELECTRICAL CONTRACTING						
	COMMERCIAL/ INDUSTRIAL	RESIDENTIAL	SERVICE AND MAINTENANCE	SUBTOTAL	COMMUNICATIONS SOLUTIONS	OTHER	TOTAL
Revenues	$ 776,759	$ 177,852	$ 92,418	$1,047,029	$ 110,638	$ --	$1,157,667
Cost of services (including depreciation)	666,652	135,877	72,298	874,827	82,312	--	957,139
Gross profit	110,107	41,975	20,120	172,202	28,326	--	200,528
Selling, general and administrative	73,095	20,276	9,243	102,614	14,372	33,878	150,864
Goodwill amortization	7,124	1,389	765	9,278	688	--	9,966
Operating income	$ 29,888	$ 20,310	$ 10,112	$ 60,310	$ 13,266	$(33,878)	$ 39,698
Other data:							
Depreciation expense	$ 5,135	$ 804	$ 572	$ 6,511	$ 1,965	$ 6,066	$ 14,542
Capital expenditures	8,475	1,737	2,831	13,043	2,080	5,939	21,062
Total assets	671,957	110,415	79,949	862,321	73,401	22,491	958,213

	NINE MONTHS ENDED JUNE 30, 2001						
	ELECTRICAL CONTRACTING						
	COMMERCIAL/ INDUSTRIAL	RESIDENTIAL	SERVICE AND MAINTENANCE	SUBTOTAL	COMMUNICATIONS SOLUTIONS	OTHER	TOTAL
Revenues	$ 845,771	$ 193,903	$ 101,436	$1,141,110	$ 128,465	$ --	$1,269,575
Cost of services (including depreciation)	705,825	148,461	78,059	932,345	104,185	--	1,036,530
Gross profit	139,946	45,442	23,377	208,765	24,280	--	233,045
Selling, general and administrative	80,104	23,035	9,773	112,912	13,707	30,125	156,744
Goodwill amortization	6,895	1,389	765	9,049	688	--	9,737
Operating income	$ 52,947	$ 21,018	$ 12,839	$ 86,804	$ 9,885	$ (30,125)	$ 66,564
Other data:							
Depreciation expense	$ 6,279	$ 1,288	$ 722	$ 8,289	$ 2,673	$ 655	$ 11,617
Capital expenditures	6,600	1,533	2,586	10,719	3,737	5,287	19,743
Total assets	666,236	114,221	79,904	860,361	93,581	63,945	1,017,887

Segment information for the three months ended June 30, 2000 and 2001 is as follows (in thousands):

	THREE MONTHS ENDED JUNE 30, 2000						
	ELECTRICAL CONTRACTING						
	COMMERCIAL/ INDUSTRIAL	RESIDENTIAL	SERVICE AND MAINTENANCE	SUBTOTAL	COMMUNICATIONS SOLUTIONS	OTHER	TOTAL
Revenues	$308,516	$ 61,618	$ 32,234	$402,368	$ 49,781	$ --	$452,149
Cost of services (including depreciation)	266,634	45,127	25,149	336,910	37,191	--	374,101
Gross profit	41,882	16,491	7,085	65,458	12,590	--	78,048
Selling, general and administrative	24,496	8,195	2,996	35,687	6,272	9,115	51,074
Goodwill amortization	2,299	463	255	3,017	229	--	3,246
Operating income	$ 15,087	$ 7,833	$ 3,834	$ 26,754	$ 6,089	$ (9,115)	$ 23,728
Other data:							
Depreciation expense	$ 1,972	$ 276	$ 199	$ 2,447	$ 745	$ 153	$ 3,345
Capital expenditures	3,239	658	611	4,508	916	228	5,652
Total assets	671,957	110,415	79,949	862,321	73,401	22,491	958,213

	THREE MONTHS ENDED JUNE 30, 2001						
	ELECTRICAL CONTRACTING						
	COMMERCIAL/ INDUSTRIAL	RESIDENTIAL	SERVICE AND MAINTENANCE	SUBTOTAL	COMMUNICATIONS SOLUTIONS	OTHER	TOTAL
Revenues	$ 275,349	$ 71,785	$ 32,202	$ 379,336	$ 44,652	$ --	$ 423,988
Cost of services (including depreciation)	224,629	54,291	24,734	303,654	38,579	--	342,233
Gross profit	50,720	17,494	7,468	75,682	6,073	--	81,755
Selling, general and administrative............	25,163	8,686	3,105	36,954	4,644	11,373	52,971
Goodwill amortization	2,297	463	255	3,015	229	--	3,244
Operating income	$ 23,260	$ 8,345	$ 4,108	$ 35,713	$ 1,200	$ (11,373)	$ 25,540
Other data:							
Depreciation expense	$ 2,189	$ 460	$ 274	$ 2,923	$ 986	$ 246	$ 4,155
Capital expenditures	2,311	498	1,237	4,046	1,308	2,006	7,360
Total assets	666,236	114,221	79,904	860,361	93,581	63,945	1,017,887

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 nine months ended June 30, 2000 and 2001, the Company amortized $4.1 million and $0.4 million, respectively, to expense in connection with these awards. During the three months ended June 30, 2000 and 2001, the Company amortized $2.0 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 $3.9 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 NINE MONTHS ENDED JUNE 30, 2000 COMPARED TO THE NINE MONTHS ENDED JUNE 30, 2001

The following table presents selected unaudited historical financial information for the nine months ended June 30, 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.

	Nine Months Ended June 30,			
	2000	%	2001	%
	(dollars in millions)			
Revenues	$1,157.7	100%	$1,269.6	100%
Cost of services (including depreciation)	957.2	83%	1,036.6	82%
Gross profit	200.5	17%	233.0	18%
Selling, general & administrative expenses	150.8	13%	156.7	12%
Goodwill amortization	10.0	1%	9.7	1%
Income from operations	39.7	3%	66.6	5%
Interest and other expense, net	16.1	1%	19.3	1%
Income before income taxes	23.6	2%	47.3	4%
Provision for income taxes	13.4	1%	21.7	2%
Net income	$ 10.2	1%	$ 25.6	2%

REVENUES

	PERCENT OF TOTAL REVENUES NINE MONTHS ENDED JUNE 30, 2000	2001
Commercial and Industrial	67%	67%
Residential	15%	15%
Service and Maintenance	8%	8%
Communications Solutions	10%	10%
Total Company	100%	100%

Total revenues increased $111.9 million, or 10%, from $1,157.7 million for the nine months ended June 30, 2000, to $1,269.6 million for the nine months ended June 30, 2001. Total same store revenues increased approximately $88.5 million, or 8%, from $1,157.7 million for the nine months ended June 30, 2000, to $1,246.2 million for the nine months ended June 30, 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 $69.0 million, or 9%, from $776.8 million for the nine months ended June 30, 2000, to $845.8 million for the nine months ended June 30, 2001. This increase is primarily the result of acquisitions and increased awards of construction contracts in the markets we serve.

Residential revenues increased $16.0 million, or 9%, from $177.9 million for the nine months ended June 30, 2000, to $193.9 million for the nine months ended June 30, 2001. This increase primarily results from an acquisition made during the three months ended December 31, 1999, and increased awards of construction contracts in the markets we serve.

Service and maintenance revenues increased $9.0 million, or 10%, from $92.4 million for the nine months ended June 30, 2000, to $101.4 million for the nine months ended June 30, 2001. This increase in revenues is primarily the result of company-wide efforts to expand our service and maintenance business.

Communications solutions revenues increased $17.9 million, or 16%, from $110.6 million for the nine months ended June 30, 2000, to $128.5 million for the nine months ended June 30, 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, and partially offset by decreased awards from telecommunication companies on communication solutions contracts and increased competition for available work during the three months ended June 30, 2001.

GROSS PROFIT

	SEGMENT GROSS PROFIT MARGINS AS A PERCENT OF SEGMENT REVENUES	
	NINE MONTHS ENDED JUNE 30,	
	2000	2001
Commercial and Industrial	14%	17%
Residential	24%	23%
Service and Maintenance	22%	23%
Communications Solutions	26%	19%
Total Company	17%	18%

Gross profit increased $32.5 million, or 16%, from $200.5 million for the nine months ended June 30, 2000, to $233.0 million for the nine months ended June 30, 2001. Gross profit margin as a percentage of revenues increased approximately 1% from 17% for the nine months ended June 30, 2000 to 18% for the nine months ended June 30, 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 and the completion of certain contracts at lower than planned gross margins during the nine months ended June 30, 2000, and further increased by our focus on safety resulting in decreased workers compensation claims during the nine months ended June 30, 2001.

Commercial and industrial gross profit increased $29.8 million, or 27%, from $110.1 million for the nine months ended June 30, 2000, to $139.9 million for the nine months ended June 30, 2001. Commercial and industrial gross profit margin as a percentage of revenues increased approximately 3% from 14% for the nine months ended June 30, 2000, to 17% for the nine months ended June 30, 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, the impact of losses recorded on fixed-price contracts at one subsidiary during the nine months ended June 30, 2000, and further increased by our focus on safety resulting in decreased workers compensation claims during the nine months ended June 30, 2001.

Residential gross profit increased $3.4 million, or 8%, from $42.0 million for the nine months ended June 30, 2000, to $45.4 million for the nine months ended June 30, 2001. Residential gross profit margin as a percentage of revenues decreased approximately 1% from 24% for the nine months ended June 30, 2000, to 23% for the nine months ended June 30, 2001. This decrease in gross profit margin as a percent of revenues primarily resulted from project selection and the initial increased costs associated with the designation of the residential business as a separate segment and managing it separately from our other electrical work.

Service and maintenance gross profit increased $3.3 million, or 16%, from $20.1 million from the nine months ended June 30, 2000, to $23.4 million for the nine months ended June 30, 2001. Service and maintenance gross profit margin as a percentage of revenues increased to 23% for the nine months ended June 30, 2001, from 22% for the nine months ended June 30, 2000. This increase resulted from increased efficiencies in the delivery of service and maintenance to our customers.

Communication solutions gross profit decreased $4.0 million, or 14%, from $28.3 million for the nine months ended June 30, 2000, to $24.3 million for the nine months ended June 30, 2001. Communication solutions gross profit margin as a percentage of revenues decreased to 19% for the nine months ended June 30, 2001 from 26% for the nine months ended June 30, 2000. These decreases are the result of what we believe to be a temporary decrease in spending by telecommunications companies and significant competition for available work.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased $5.9 million, or 4%, from $150.8 million for the nine months ended June 30, 2000, to $156.7 million for the nine months ended June 30, 2001. Selling, general and administrative expenses as a percentage of revenues decreased approximately 1%, from 13% for the nine months ended June 30, 2000 to 12% for the nine months ended June 30, 2001. This decrease primarily resulted from $9.8 million of expenses incurred during the nine months ended June 30, 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 $26.9 million, from $39.7 million for the nine months ended June 30, 2000, to $66.6 million for the nine months ended June 30, 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 improvements in overall gross margins resulting from the impact of losses recorded on fixed-price contracts at one subsidiary and the completion of certain contracts at lower than planned gross margins during the nine months ended June 30, 2000. Income from operations was further increased by our focus on safety resulting in decreased workers compensation claims during the nine months ended June 30, 2001.

NET INTEREST AND OTHER EXPENSE

Interest and other expense, net increased from $16.1 million for the nine months ended June 30, 2000, to $19.3 million for the nine months ended June 30, 2001, primarily as a result of increased interest expense on borrowings.

PROVISION FOR INCOME TAXES

Our effective tax rate decreased from 56.6% for the nine months ended June 30, 2000, to 45.9% for the nine months ended June 30, 2001. The lower effective tax rate in the current nine months period was the result of a non-deductible goodwill amortization and non-cash compensation expense related to restricted stock awards representing a smaller percentage of our pre-tax income in such period.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2001

The following table presents selected unaudited historical financial information for the three months ended June 30, 2000 and 2001.

	Three Months Ended June 30, 2000	%	2001	%
	(dollars in millions)			
Revenues	$ 452.1	100%	$ 424.0	100%
Cost of services (including depreciation)	374.1	83%	342.2	81%
Gross profit	78.0	17%	81.8	19%
Selling, general & administrative expenses	51.1	11%	53.0	12%
Goodwill amortization	3.2	1%	3.2	1%
Income from operations	23.7	5%	25.6	6%
Interest and other expense, net	5.4	1%	6.6	1%
Income before income taxes	18.3	4%	19.0	5%
Provision for income taxes	8.2	2%	8.5	2%
Net income	$ 10.1	2%	$ 10.5	3%

REVENUES

	PERCENT OF TOTAL REVENUES THREE MONTHS ENDED JUNE 30, 2000	2001
Commercial and Industrial	68%	65%
Residential	14%	17%
Service and Maintenance	7%	7%
Communications Solutions	11%	11%
Total Company	100%	100%

Total revenues decreased $28.1 million, or 6%, from $452.1 million for the three months ended June 30, 2000, to $424.0 million for the three months ended June 30, 2001. This decrease in revenues is primarily the result of non-recurring work performed for one customer during the three months ended June 30, 2000.

Commercial and industrial revenues decreased $33.2 million, or 11%, from $308.5 million for the three months ended June 30, 2000, to $275.3 million for the three months ended June 30, 2001. This decrease is primarily the result of non-recurring work performed for one customer during the three months ended June 30, 2000.

Residential revenues increased $10.2 million, or 17%, from $61.6 million for the three months ended June 30, 2000, to $71.8 million for the three months ended June 30, 2001, primarily results from increased awards of construction contracts in markets we serve.

Service and maintenance revenues remained constant at $32.2 million for the three months ended June 30, 2000 and for the three months ended June 30, 2001. We continue to focus on growing this segment.

Communications solutions revenues decreased $5.1 million, or 10%, from $49.8 million for the three months ended June 30, 2000, to $44.7 million for the three months ended June 30, 2001. This decrease is the result of decreased awards from telecommunications companies on communications solutions contracts and increased competition for available work during the three months ended June 30, 2001.

GROSS PROFIT

	SEGMENT GROSS PROFIT MARGINS AS A PERCENT OF SEGMENT REVENUES THREE MONTHS ENDED JUNE 30,	
	2000	2001
Commercial and Industrial	14%	18%
Residential	27%	24%
Service and Maintenance	22%	23%
Communications Solutions	25%	14%
Total Company	17%	19%

Gross profit increased $3.8 million, or 5%, from $78.0 million for the three months ended June 30, 2000, to $81.8 million for the three months ended June 30, 2001. Gross profit margin as a percentage of revenues increased approximately 2% from 17% for the three months ended June 30, 2000 to 19% for the three months ended June 30, 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 and the completion of certain contracts at lower than planned gross margins during the three months ended June 30, 2000, and further increased by our focus on safety resulting in decreased workers compensation claims during the three months ended June 30, 2001.

Commercial and industrial gross profit increased $8.8 million, or 21%, from $41.9 million for the three months ended June 30, 2000, to $50.7 million for the three months ended June 30, 2001. Commercial and industrial gross profit margin as a percentage of revenues increased 4% from 14% for the three months ended June 30, 2000, to 18% for the three months ended June 30, 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, the impact of losses recorded on fixed-price contracts at one subsidiary during the three months ended June 30, 2000, and further increased by our focus on safety resulting in decreased workers compensation claims during the three months ended June 30, 2001.

Residential gross profit increased $1.0 million, or 6%, from $16.5 million for the three months ended June 30, 2000, to $17.5 million for the three months ended June 30, 2001. Residential gross profit margin as a percentage of revenues decreased 3% from 27% for the three months ended June 30, 2000, to 24% for the three months ended June 30, 2001. This decrease in gross profit margin as a percent of revenues primarily resulted from project selection and the initial increased costs associated with the designation of the residential business as a separate segment and managing it separately from our other electrical work.

Service and maintenance gross profit increased $0.4 million, or 6%, from $7.1 million from the three months ended June 30, 2000, to $7.5 million for the three months ended June 30, 2001. Service and maintenance gross profit margin as a percent of revenues increased slightly from 22% for the three months ended June 30, 2000, to 23% for the three months ended June 30, 2001. We continue to focus on growing this segment of our business.

Communication solutions gross profit decreased $6.5 million, or 52%, from $12.6 million for the three months ended June 30, 2000, to $6.1 million for the three months ended June 30, 2001. Communication solutions gross profit margin as a percentage of revenues decreased to 14% for the three months ended June 30, 2001, from 25% for the three months ended June 30, 2000.

These decreases are the result of what we believe to be a temporary decrease in spending by telecommunications companies and significant competition for available work.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased $1.9 million, or 4%, from $51.1 million for the three months ended June 30, 2000, to $53.0 million for the three months ended June 30, 2001. Selling, general and administrative expenses as a percentage of revenues increased from 11% for the three months ended June 30, 2000 to 12% for the three months ended June 30, 2001. This increase primarily resulted from increased infrastructure cost incurred to manage our business.

INCOME FROM OPERATIONS

Income from operations increased $1.9 million, from $23.7 million for the three months ended June 30, 2000, to $25.6 million for the three months ended June 30, 2001. This increase in income from operations was primarily attributed to improvements in overall gross margins resulting from the impact of losses recorded on fixed-price contracts at one subsidiary and the completion of certain contracts at lower than planned gross margins during the nine months ended June 30, 2000. Income from operations further increased by our focus on safety resulting in decreased workers compensation claims during the nine months ended June 30, 2001.

NET INTEREST AND OTHER EXPENSE

Interest and other expense, net increased from $5.4 million for the three months ended June 30, 2000, to $6.6 million for the three months ended June 30, 2001, primarily as a result of increased interest expense on borrowings.

PROVISION FOR INCOME TAXES

Our effective tax rate decreased from 44.8% for the three months ended June 30, 2000 to 44.7% for the three months ended June 30, 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 representing a smaller percentage of our pre-tax income in such period.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2001, we had cash and cash equivalents of $0.4 million, working capital of $225.4 million, no outstanding borrowings under our credit facility, $5.3 million of letters of credit outstanding, and available capacity under our credit facility of $144.7 million. The amount outstanding under our senior subordinated notes was $275.0 million.

During the nine months ended June 30, 2001, we generated $10.4 million of net cash from operating activities. This net cash provided by operating activities is comprised of net income of $25.6 million, increased by $21.4 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 $34.4 million decrease in accounts receivable as a result of the timing of collections, offset by $55.7 million decrease in accounts payable and accrued expenses as a result of the timing of payments, including taxes and accrued interest. Working capital changes also included a $18.8 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 $24.2

million, consisting primarily of $19.7 million used for capital expenditures and $5.3 million for the purchase of available for sale securities. Net cash provided by financing activities was $13.6 million, resulting primarily from borrowings, net of repayments under our credit facility.

During the three months ended June 30, 2001, we generated $9.3 million of net cash from operating activities. This net cash provided by operating activities is comprised of net income of $10.5 million, increased by $7.4 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 $3.1 million decrease in accounts receivable as a result of the timing of collections, increased by $0.2 million increase in accounts payable and accrued expenses as a result of the timing of payments, including taxes and accrued interest. Working capital changes also included a $0.5 million decrease in billings in excess of costs and estimated earnings on uncompleted contracts, an increase in prepaid expenses and other current assets of $6.5 million, with the balance of the change due to other working capital changes. Net cash used in investing activities was $7.4 million, consisting primarily of $7.3 million used for capital expenditures. Net cash used by financing activities was $2.2 million, resulting primarily from repayments, net of borrowings under our credit facility.

On May 22, 2001, We replaced our $175.0 million credit facility with a new $150.0 million revolving credit facility with a syndicate of lending institutions to be used for working capital, capital expenditure, acquisitions and other corporate purposes that matures May 22, 2004. Amounts borrowed under our credit facility bear interest at an annual rate equal to either (a) the London interbank offered rate (LIBOR) plus 1.75 percent to 2.75 percent, as determined by the ratio of our 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 1.25 percent, as determined by the ratio of our total funded debt to EBITDA. Commitment fees of 0.50 percent, as determined by the ratio of our total funded debt to EBITDA, are assessed on any unused borrowing capacity under our credit facility. Our existing and future subsidiaries guarantee the repayment of all amounts due under our facility, and our facility is secured by the capital stock of those subsidiaries, our accounts receivable and accounts receivable of those subsidiaries. Borrowings under our credit facility are limited to 66 2/3% of outstanding receivables (as defined in the agreement). Our credit facility requires the consent of the lenders for acquisitions exceeding a certain level of cash consideration, prohibits the payment of cash dividends on our common stock, restricts our ability to repurchase shares of common stock, to incur other indebtedness and requires us to comply with various affirmative and negative covenants including certain financial covenants. Among other restrictions, the financial covenants include minimum net worth requirements, a maximum total consolidated funded debt to EBITDA ratio, a maximum senior consolidated debt to EBITDA ratio, and a minimum interest coverage ratio. We were in compliance with the financial covenants at June 30, 2001. As of June 30, 2001, we did not have outstanding indebtedness under our credit facility, letters of credit outstanding under our credit facility of $5.3 million, $1.8 million of other borrowings and available borrowing capacity under our credit facility of $144.7 million.

On January 25, 1999 and May 29, 2001, we completed our offerings of $150.0 million and $125.0 million senior subordinated notes, respectively. The offering completed on May 29, 2001, yielded $117.2 million in proceeds, net of a $4.2 million discount and $3.6 million in offering costs. The proceeds from the May 29, 2001, offering were used primarily to repay amounts outstanding under our credit facility. 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 our 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 obligations under our credit facility and our long-term obligations under the existing senior subordinated notes. The credit facility matures on May 22, 2004 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.

On June 30, 2001 the Financial Accounting Standards Board ("FASB") adopted SFAS Nos. 141 "Business Combinations" and 142 "Goodwill and Other Intangible Assets." SFAS Nos. 141 and 142 are effective for fiscal years beginning after December 15, 2001. We plan to adopt these standards effective October 1, 2001. SFAS No. 141 requires that all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. We do not believe that the effect on financial statements of the adoption of SFAS No. 141 will be material. SFAS No.142 requires that goodwill no longer be amortized but be subject to an annual assessment for impairment based on a fair value test. In addition, acquired intangible assets are required to be separately recognized if the benefit of the asset is based on contractual or legal rights. We are currently assessing the Statement and believe it could have a material impact on our consolidated financial statements.

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 fixed rate debt. 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 June 30, 2001.

	2001	2002	2003	2004	2005	Thereafter	Total
Liabilities-Debt:							
Fixed Rate (Senior Subordinated Notes)...............	--	--	--	--	--	$ 275,000	$ 275,000
Average Interest Rate .	9.375%	9.375%	9.375%	9.375%	9.375%	9.375%	9.375%
Fair Value of Debt:							
Fixed Rate							$ 269,500

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: August 13, 2001

By: /s/ William W. Reynolds

William W. Reynolds
Executive Vice President and
Chief Financial Officer