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, 2000

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 11, 2000, of the issuer's common stock was 37,911,688 and of the issuer's restricted voting common stock was 2,655,709.

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

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

	September 30, 1999 (Audited)	June 30, 2000 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,931	$ 773
Accounts receivable:		
Trade, net of allowance of $5,709 and $7,313, respectively	222,824	252,531
Retainage	47,682	60,664
Related parties	220	308
Inventories, net	12,793	19,598
Costs and estimated earnings in excess of billings on uncompleted contracts	40,592	45,286
Prepaid expenses and other current assets	7,640	13,571
Total current assets	334,682	392,731
PROPERTY AND EQUIPMENT, net	47,368	58,433
GOODWILL, net	467,385	498,834
OTHER NON-CURRENT ASSETS	9,057	8,215
Total assets	$858,492	$958,213
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt and current maturities of long-term debt	$ 1,444	$ 978
Accounts payable and accrued expenses	116,188	148,568
Income taxes payable	3,971	3,639
Billings in excess of costs and estimated earnings on uncompleted contracts	37,507	64,174
Total current liabilities	159,110	217,359
LONG-TERM BANK DEBT	76,980	87,000
OTHER LONG-TERM DEBT, net of current maturities	1,120	1,723
SENIOR SUBORDINATED NOTES, net of $1,151 and $1,093 unamortized discount, respectively	148,849	148,907
OTHER NON-CURRENT LIABILITIES	5,267	6,706
Total liabilities	391,326	461,695
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, none issued and outstanding	--	--
Common stock, $.01 par value, 100,000,000 shares authorized, 35,985,838 and 37,911,688 shares outstanding, respectively	360	379
Restricted common stock, $.01 par value, 2,655,709 shares authorized, 2,655,709 shares issued and outstanding	27	27
Additional paid-in capital	407,926	427,046
Retained earnings	58,853	69,066
Total stockholders' equity	467,166	496,518
Total liabilities and stockholders' equity	$858,492	$958,213

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
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	Nine Months Ended June 30, 1999	Nine Months Ended June 30, 2000
	(Unaudited)	
Revenues	$ 693,146	$ 1,157,667
Cost of services (including depreciation)	544,798	957,139
Gross profit	148,348	200,528
Selling, general and administrative expenses	77,610	150,864
Goodwill amortization	6,457	9,966
Income from operations	64,281	39,698
Other (income)/expense:		
Interest expense, net	8,359	17,156
Gain on sale of assets	(154)	(92)
Other income, net	(330)	(935)
	7,875	16,129
Income before income taxes	56,406	23,569
Provision for income taxes	23,929	13,356
Net income	$ 32,477	$ 10,213
Basic earnings per share	$ 0.99	$ 0.25
Diluted earnings per share	$ 0.97	$ 0.25
Shares used in the computation of earnings per share (Note 5)		
Basic	32,832,083	40,066,403
Diluted	33,318,447	40,649,541

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
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	Three Months Ended June 30, 1999	Three Months Ended June 30, 2000
	(Unaudited)	
Revenues	$ 279,742	$ 452,149
Cost of services (including depreciation)	217,864	374,101
Gross profit	61,878	78,048
Selling, general and administrative expenses	32,020	51,074
Goodwill amortization	2,514	3,246
Income from operations	27,344	23,728
Other (income)/expense:		
Interest expense, net	3,932	5,761
(Gain)/loss on sale of assets	(25)	97
Other income, net	(176)	(383)
	3,731	5,475
Income before income taxes	23,613	18,253
Provision for income taxes	9,968	8,169
Net income	$ 13,645	$ 10,084
Basic earnings per share	$ 0.39	$ 0.25
Diluted earnings per share	$ 0.39	$ 0.25
Shares used in the computation of earnings per share (Note 5)		
Basic	34,996,934	40,443,370
Diluted	35,377,848	40,791,970

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		Additional Paid In Capital	Retained Earnings	Total Equity
	Shares	$	Shares	$			
BALANCE, September 30, 1999	35,985,838	$ 360	2,655,709	$ 27	$ 407,926	$ 58,853	$ 467,166
Issuance of stock for acquisitions (unaudited)	1,737,522	17	-	-	17,045	-	17,062
Issuance of stock (unaudited)	188,108	2	-	-	2,072	-	2,074
Options exercised (unaudited)	220	-	-	-	3	-	3
Net income (unaudited)	-	-	-	-	-	10,213	10,213
BALANCE, June 30, 2000 (unaudited)	37,911,688	$ 379	2,655,709	$ 27	$ 427,046	$ 69,066	$ 496,518

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, 1999	2000
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 32,477	$ 10,213
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,789	24,508
Gain on sale of property and equipment	(154)	(91)
Non-cash compensation expense	--	4,147
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable, net	(32,460)	(26,507)
Inventories	(1,634)	(5,637)
Costs and estimated earnings recognized in excess of billings on uncompleted contracts	(5,018)	(5,343)
Prepaid expenses and other current assets	1,319	(5,810)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,042	20,225
Billings in excess of costs and estimated earnings recognized on uncompleted contracts	266	22,624
Income taxes payable and other current liabilities	(5,275)	(407)
Other, net	(1,256)	2,700
Net cash provided by operating activities	5,096	40,622
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of businesses, net of cash acquired	(91,867)	(33,225)
Proceeds from sale of property and equipment	549	1,732
Additions to property and equipment	(8,068)	(21,062)
Net cash used in investing activities	(99,386)	(52,555)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	227,320	50,434
Repayments of debt	(139,346)	(40,662)
Other	(5,302)	3
Net cash provided by financing activities	82,672	9,775
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,618)	(2,158)
CASH AND CASH EQUIVALENTS, beginning of period	14,583	2,931
CASH AND CASH EQUIVALENTS, end of period	$ 2,965	$ 773
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	$ 2,959	$ 17,415
Income taxes	$ 25,608	$ 17,615

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, 1999	Three Months Ended June 30, 2000
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 13,645	$ 10,084
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	4,256	6,591
(Gain) loss on sale of property and equipment	(25)	97
Non-cash compensation expense	--	1,991
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable, net	(29,581)	(27,054)
Inventories	(1,242)	(3,054)
Costs and estimated earnings recognized in excess of billings on uncompleted contracts	26	(1,154)
Prepaid expenses and other current assets	1,741	186
Increase (decrease) in:		
Accounts payable and accrued expenses	1,651	11,425
Billings in excess of costs and estimated earnings recognized on uncompleted contracts	2,969	17,957
Income taxes payable and other current liabilities	(736)	781
Other, net	(164)	5,318
Net cash provided by (used in) operating activities	(7,460)	23,168
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of businesses, net of cash acquired	(56,766)	(1,044)
Proceeds from sale of property and equipment	228	442
Additions to property and equipment	(4,282)	(5,652)
Net cash used in investing activities	(60,820)	(6,254)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	43,572	2,030
Repayments of debt	(8,033)	(25,173)
Other	76	--
Net cash provided by (used in) financing activities	35,615	(23,143)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(32,665)	(6,229)
CASH AND CASH EQUIVALENTS, beginning of period	35,630	7,002
CASH AND CASH EQUIVALENTS, end of period	$ 2,965	$ 773
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for		
Interest	$ 304	$ 5,908
Income taxes	$ 8,178	$ 1,242

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. ("IES" or the "Company"), a Delaware corporation founded in June 1997, is a leading national provider of electrical and communications contracting and maintenance services, focusing primarily on the commercial, industrial, residential, power line and information technology markets.

The accompanying unaudited condensed historical financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and therefore the financial statements included herein should be reviewed in conjunction with the financial statements and related notes thereto contained in the Company's annual report 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, 2000, are not necessarily indicative of the results that may be expected for the fiscal year ended September 30, 2000.

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, 1999.

SUBSIDIARY GUARANTIES

All of the Company's operating income and cash flow is 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 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. Under the terms of the Senior Subordinated Notes, any loans between the subsidiary guarantors and the Company must be subordinated to the Company's senior debt.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in these financial statements include those regarding revenue recognition for contracts accounted for under the percentage-of-completion method and allowance for doubtful accounts and reserves for self insurance.

ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." In accordance with SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date FASB Statement No. 133," SFAS No. 133 becomes effective for the Company for its year ended September 30, 2001. SFAS No. 133 requires a company to recognize all derivative instruments (including certain derivative instruments embedded in other contracts) as assets or liabilities in its balance sheet and measure them at fair value. The statement requires that changes in the derivatives fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company is evaluating SFAS No. 133 and the impact on existing accounting policies and financial reporting disclosures. However, the Company has not to date engaged in activities or entered into arrangements normally associated with derivative instruments.

In December 1999, the SEC released Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition". SAB No. 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements and draws upon the existing accounting rules and explains those rules, by analogy, to other transactions that the existing rules do not specifically address. SAB No. 101 requires that revenue generally is realized or realizable when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable and collectibility is reasonably assured. The Company has not yet determined what impact the adoption of SAB No. 101 will have on its consolidated financial statements. The Company is required to adopt SAB No. 101 no later than the fourth quarter of fiscal 2001.

2. ACQUISITIONS

For the nine months ended June 30, 2000, the Company completed eight acquisitions accounted for as purchases. The total consideration paid in these transactions was approximately $50.2 million, comprised of $33.2 million of cash, net of cash acquired and 1.7 million shares of common stock, which exceeded the net tangible assets acquired by $41.4 million, which amount has been recorded as goodwill in the accompanying consolidated financial statements. The accompanying balance sheets include allocations of the respective purchase prices to the assets acquired and liabilities assumed based on preliminary estimates of fair value and are subject to final adjustment.

The unaudited pro forma data presented below assume that the acquisitions made by the Company from October 1, 1998 through June 30, 2000 had occurred at the beginning of the periods presented.

	Nine Months Ended June 30, 1999	2000
	(in thousands, except per share data)	
Revenues	$ 1,001,911	$ 1,173,029
Net income	$ 45,153	$ 10,958
Basic earnings per share	$ 1.09	$ 0.28
Diluted earnings per share	$ 1.09	$ 0.28

The unaudited pro forma data presented above also reflects pro forma adjustments primarily related to: reductions in general and administrative expenses for contractually agreed reductions in owners' compensation, estimated goodwill amortization for the excess of consideration paid over the net assets acquired assuming a 40-year amortization period, interest expense on borrowings incurred to fund acquisitions, elimination of interest income and additional tax expense based on the Company's effective tax rate.

3. 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.

4. LONG-TERM DEBT

Credit Facility

The Company has a $175.0 million revolving credit facility with Bank of America, N.A. as agent, as amended (the "Credit Facility"), that matures on July 30, 2001, and is used for working capital, acquisitions, capital expenditures and other corporate purposes. The amounts borrowed under the Credit Facility bear interest at an annual rate equal to either (a) the London interbank offered rate ("LIBOR") plus 1.0% to 2.0%, as determined by the ratio of the Company's total funded debt to EBITDA (as defined), or (b) the higher of (i) the bank's prime rate and (ii) the Federal Funds rate plus 0.5%, plus up to an additional 0.5% as determined by the ratio of the Company's total funded debt to EBITDA. Commitment fees of 0.25% to 0.375%, as determined by the ratio of the Company's total funded debt to EBITDA, are due on any unused borrowing capacity under the Credit Facility. The Company's 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 the Company and the guarantors. 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 Company's common stock, restricts the ability of the Company to incur other indebtedness and requires the Company to comply with certain financial covenants. The Company was in compliance with its financial covenants at June 30, 2000. As of June 30, 2000, the Company had outstanding indebtedness of $87.0 million under its Credit Facility, letters of credit outstanding of $1.2 million, and available capacity under the Credit Facility of $86.8 million. Availability of the Credit Facility is subject to customary drawing conditions.

Amounts outstanding under the Credit Facility will be classified as a current liability in our Balance Sheets presented after July 30, 2000, as the existing credit agreement expires one year from that date. The Company expects to renegotiate the credit agreement before its maturity.

Senior Subordinated Notes

In January 1999 the Company issued its $150.0 million Senior Subordinated Notes (the "Notes"). The Notes bear interest at 9 3/8% and mature on February 1, 2009. The Company pays interest semi-annually on February 1 and August 1. The Notes are unsecured senior subordinated obligations and are subordinated to all existing and future senior indebtedness. The Notes are guaranteed on a senior subordinated basis by all of the Company's subsidiaries. Under the terms of the 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.

5. PER SHARE INFORMATION

Basic earnings per share calculations are based on the weighted average number of shares of common stock and restricted voting common stock outstanding. Diluted earnings per share calculations are based on the weighted average number of common shares outstanding and common equivalent shares from the assumed exercise of outstanding stock options.

As of June 30, 2000, the Company had outstanding options to purchase up to a total of approximately 5.9 million shares of Common Stock, of which approximately 1.4 million shares were vested and exercisable, issued pursuant to the Company's stock option plans. The shares used to calculate the historical earnings per share for the periods presented are summarized as follows:

	Nine Months Ended June 30,	
	1999	2000
Weighted average shares outstanding............	32,832,083	40,066,403
Weighted average equivalent shares from outstanding stock options............	486,364	583,138
	33,318,447	40,649,541

	Three Months Ended June 30,	
	1999	2000
Weighted average shares outstanding............	34,966,934	40,443,370
Weighted average equivalent shares from outstanding stock options............	410,914	348,600
	35,377,848	40,791,970

For the nine months ended June 30, 1999 and 2000, the Company excluded 0.4 million and 4.4 million stock options, respectively, from the computation of diluted earnings per share because the option exercise prices were greater than the average market price of the Company's common stock during the period.

For the three months ended June 30, 1999 and 2000, the Company excluded 0.3 million and 5.1 million stock options, respectively, from the computation of diluted earnings per share because the option exercise prices were greater than the average market price of the Company's common stock during the period.

6. NON EXECUTIVE INCENTIVE COMPENSATION PLAN

In November 1999 the Board of Directors adopted the Nonexecutive Incentive Compensation Plan (the "NICP"). The NICP 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 2.0 million shares of Common Stock authorized for issuance under the NICP.

In December 1999 the Company awarded 594,534 shares of common stock under its stock plans to certain of its employees. The awards vest in equal installments on May 31, 2000, and August 31, 2000, provided that the recipient is still employed by the Company. At the time of the awards, the market value of the awards was approximately $5.2 million. The Company is amortizing this amount to expense over the vesting period. During the nine months and three months ended June 30, 2000, this expense totaled approximately $4.1 million and $2.0 million, respectively. There were 295,537 shares of common stock vested under these plans on May 31, 2000. To fund employees related tax liabilities, 107,429 of these shares were cancelled and 188,108 of these shares were issued and are currently outstanding.

7. COMMITMENTS AND CONTINGENCIES

Subsidiaries of the Company are 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.

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, 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 due to 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, 1999.

Because of the significant effect of acquisitions on our results of operations, our historical results of operations and period-to-period comparisons are not indicative of future results and may not be meaningful. The integration of acquired businesses and the addition of management personnel to support acquisitions may positively or negatively affect our results of operations.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED JUNE 30, 1999 COMPARED TO THE NINE MONTHS ENDED JUNE 30, 2000

The following table presents selected unaudited historical financial information for the nine months ended June 30, 1999 and 2000. The historical results of operations of IES presented below includes the results of operations of its acquired companies beginning on their respective dates of acquisition.

	Nine Months Ended June 30,			
	1999	%	2000	%
	(dollars in millions)			
Revenues	$ 693.1	100%	$ 1,157.6	100%
Cost of services	544.8	79%	957.1	83%
Gross profit	148.3	21%	200.5	17%
Selling, general & administrative expenses	77.6	11%	150.8	13%
Goodwill amortization	6.4	1%	10.0	1%
Income from operations	64.3	9%	39.7	3%
Interest and other expense, net	7.9	1%	16.1	1%
Income before income taxes	56.4	8%	23.6	2%
Provision for income taxes	23.9	3%	13.4	1%
Net income	$ 32.5	5%	$ 10.2	1%

REVENUES. Revenues increased $464.5 million, or 67%, from $693.1 million for the nine months ended June 30, 1999, to $1,157.6 million for the nine months ended June 30, 2000. The increase in revenues is primarily the result of acquisitions and increased construction activity in the markets we serve.

GROSS PROFIT MARGIN. Gross profit margin increased $52.2 million, or 35%, from $148.3 million for the nine months ended June 30, 1999, to $200.5 million for the nine months ended June 30, 2000. Gross profit margin as a percentage of revenues decreased approximately 4%, from 21% for the nine months ended June 30, 1999 to 17% for the nine months ended June 30, 2000. The decrease in gross profit margin as a percentage of revenues is primarily the result of losses recorded on contracts, the mix of bid and negotiated contract work, the completion of certain contracts at lower than planned gross margins and the recording of additional claims reserves for our self-insured healthcare plan resulting from a higher level of employee participation and higher medical costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $73.2 million, or 94%, from $77.6 million for the nine months ended June 30, 1999, to $150.8 million for the nine months ended June 30, 2000. Selling, general and administrative expenses as a percentage of revenues increased approximately 2% from 11% for the nine months ended June 30, 1999 to 13% for the nine months ended June 30, 2000. The increased selling, general and administrative expenses related to acquisitions was $25.9 million. Other increased selling, general and administrative costs primarily resulted from the need for additional infrastructure growth to support current operational initiatives, claims reserves related to the Company's self-insured health insurance plan, the non-cash compensation charge associated with the restricted stock awards and the write-off of costs associated with the Company's decision to curtail the development of its information system.

INCOME FROM OPERATIONS. Income from operations decreased $24.6 million, from $64.3 million for the nine months ended June 30, 1999, to $39.7 million for the nine months ended June 30, 2000. This decrease in income from operations is primarily attributed to the lower gross profit margins as previously discussed, higher selling, general and administrative expenses resulting from acquisitions, additional infrastructure costs, a higher funding level for claims in the Company's medical plan, a non-cash compensation charge related to restricted stock awards, the write-off of costs associated with the Company's decision to curtail the development of its information system and higher goodwill amortization resulting from acquisitions.

NET INTEREST AND OTHER EXPENSE. Interest and other expense, net increased from expense of $7.9 million for the nine months ended June 30, 1999, to $16.1 million for the nine months ended June 30, 2000, primarily as a result interest expense on borrowings to fund the Company's acquisitions and a full nine months of interest expense on the $150.0 million 9 3/8% Senior Subordinated Notes ("the Notes") due February 1, 2009.

PROVISION FOR INCOME TAXES. Our effective tax rate increased from the nine months ended June 30, 1999 to the nine months ended June 30, 2000. The higher effective tax rate for the current nine month period is the result of disproportionately lower pretax income than in the prior period together with higher non-deductible goodwill amortization and the non-deductible portion of the compensation expense associated with the restricted stock awards.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 1999 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2000

The following table presents selected unaudited historical financial information for the three months ended June 30, 1999 and 2000. The historical results of operations of IES presented below includes the results of operations of its acquired companies beginning on their respective dates of acquisition.

	Three Months Ended June 30,			
	1999	%	2000	%
	(dollars in millions)			
Revenues	$ 279.7	100%	$ 452.1	100%
Cost of services	217.8	78%	374.1	83%
Gross profit	61.9	22%	78.0	17%
Selling, general & administrative expenses	32.0	11%	51.0	11%
Goodwill amortization	2.5	1%	3.3	1%
Income from operations	27.4	10%	23.7	5%
Interest and other expense, net	3.8	2%	5.4	1%
Income before income taxes	23.6	8%	18.3	4%
Provision for income taxes	10.0	3%	8.2	2%
Net income	$ 13.6	5%	$ 10.1	2%

REVENUES. Revenues increased $172.4 million, or 62%, from $279.7 million for the three months ended June 30, 1999, to $452.1 million for the three months ended June 30, 2000. The increase in revenues is primarily the result of acquisitions and increased construction activity in the markets we serve.

GROSS PROFIT MARGIN. Gross profit margin increased $16.1 million, or 26%, from $61.9 million for the three months ended June 30, 1999, to $78.0 million for the three months ended June 30, 2000. Gross profit margin as a percentage of revenues decreased approximately 5%, from 22% for the three months ended June 30, 1999 to 17% for the three months ended June 30, 2000. The decrease in gross profit margin as a percentage of revenues was primarily the result of losses recorded on contracts, the mix of bid and negotiated contract work and the completion of certain contracts at lower than planned gross profit margins.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $19.0 million, or 59%, from $32.0 million for the three months ended June 30, 1999, to $51.0 million for the three months ended June 30, 2000. Selling, general and administrative expenses as a percentage of revenues remained consistent for the three months ended June 30, 1999 and the three months ended June 30, 2000. The increased selling, general and administrative expenses related to acquired companies was $9.0 million. The other increased selling, general and administrative costs primarily resulted from the additional growth from acquisitions, need for additional infrastructure to support current operational initiatives and the non-cash compensation charge associated with restricted stock awards.

INCOME FROM OPERATIONS. Income from operations decreased $3.7 million, from $27.4 million for the three months ended June 30, 1999, to $23.7 million for the three months ended June 30, 2000. This decrease in income from operations is primarily attributed to lower gross profit margins previously explained and a non-cash compensation charge associated with the restricted stock awards and increased goodwill amortization resulting from acquisitions.

NET INTEREST AND OTHER EXPENSE. Interest and other expense, net increased from expense of $3.8 million for the three months ended June 30, 1999, to $5.4 million for the three months ended June 30, 2000, primarily as a result of interest expense on borrowings to fund the Company's acquisitions.

PROVISION FOR INCOME TAXES. Our effective tax rate increased from the three months ended June 30, 1999 to the three months ended June 30, 2000. The higher effective tax rate for the current three month period is the result of disproportionately lower pretax income than in the prior period together with higher non-deductible goodwill amortization and the non-deductible portion of the compensation expense associated with restricted stock awards.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2000, we had cash and cash equivalents of $0.8 million, working capital of $175.4 million, $87.0 million in outstanding borrowings under our Credit Facility (defined below), $1.2 million of letters of credit outstanding, and available capacity under our Credit Facility of $86.8 million.

During the nine months ended June 30, 2000, we generated $40.6 million of net cash from operating activities. Net cash flow from operating activities is comprised of $28.7 million of non-cash charges including approximately $5.7 million related to the Company's decision to curtail the development of its information system and approximately $4.1 million of compensation expense related to restricted stock awards, decreased by a $26.5 million increase in receivables, increased by a $20.2 million increase in accounts payable and accrued expenses as a result of the timing of payments and further increased by a $22.6 million increase in billings in excess of costs and estimated earnings on uncompleted contacts, with the balance of the change due to other working capital changes. Net cash used by investing activities included capital expenditures of approximately $21.1 million and cash payments toward acquisitions of approximately $33.2 million. Net cash flow provided by financing activities includes net borrowings of $9.8 million.

During the three months ended June 30, 2000, we generated $23.2 million of net cash from operating activities. Net cash flow from operating activities is comprised of $8.6 million of non-cash charges including approximately $2.0 million of compensation expense related to the restricted stock awards, decreased by a $27.1 million increase in receivables, increased by a $11.4 million increase in accounts payable and accrued expenses as a result of the timing of payments and further increased by a $18.0 million increase in billings in excess of costs and estimated earnings on uncompleted contracts, with the balance of the change due to other working capital changes. Net cash used by investing activities included capital expenditures of approximately $5.7 million and cash payments towards acquisitions of approximately $1.0 million. Net cash used by financing activities includes paydowns on debt of $25.2 million.

We have a $175.0 million revolving credit facility with Bank of America, N.A. as agent that matures on July 30, 2001 (the "Credit Facility"). The Credit Facility is used for working capital, acquisitions, capital expenditures and other corporate purposes. The amounts borrowed under the Credit Facility bear interest at an annual rate equal to either (a) the London interbank offered rate ("LIBOR") plus 1.0% to 2.0%, as determined by the ratio of our total funded debt to EBITDA (as defined), or (b) the higher of (i) the bank's prime rate and (ii) the Federal Funds rate plus 0.5%, plus up to an additional 0.5% as determined by the ratio of our total funded debt to EBITDA. Commitment fees of 0.25% to 0.375%, as determined by the ratio of our 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 Credit Facility, and the Credit Facility is secured by the capital stock of the guarantors and the accounts receivable of the Company and the guarantors. 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 our common stock, restricts our ability to incur other indebtedness and requires us to comply with certain financial covenants. Availability of the Credit Facility is subject to customary drawing conditions. As of August 10, 2000, we have available borrowing capacity under our Credit Facility of approximately $82.8 million. The Company was in compliance with its financial covenants at June 30, 2000.

Amounts outstanding under the Credit Facility will be classified as a current liability in our Balance Sheets presented after July 30, 2000, as the existing credit agreement expires one year from that date. We expect to renegotiate the credit agreement before its maturity.

In January 1999, we completed our offering of $150.0 million Senior Subordinated Notes (the "Notes"). The Notes bear interest at 9 3/8% and will mature on February 1, 2009. The Company pays interest semi-annually on February 1 and August 1. The Notes are unsecured Senior Subordinated obligations and are subordinated to all 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: (i) restrictions on additional indebtedness, and (ii) restrictions on liens, guarantees and dividends.

We anticipate that our existing cash, cash flow from operations and borrowings under 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 at least the next twelve months.

While we have currently curtailed our acquisition program compared to historical standards to focus on operations and integration of existing companies, the timing, size or success of any acquisition effort and the associated potential capital commitments cannot be predicted. To the extent we pursue and consummate any acquisitions, we would fund such acquisitions primarily with issuances of Company equity, working capital, cash flow from operations and borrowings, including any unborrowed portion of the Credit Facility. Should a significant portion of the consideration for future acquisitions be funded with cash, we may have to incur additional debt or issue additional equity. Capital expenditures for equipment and expansion of facilities are expected to be funded from cash flow from operations and supplemented as necessary by borrowings under the Credit Facility.

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 June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." In accordance with SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date FASB Statement No. 133," SFAS No. 133 becomes effective for the Company for its year ended September 30, 2001. SFAS No. 133 requires a company to recognize all derivative instruments (including certain derivative instruments embedded in other contracts) as assets or liabilities in its balance sheet and measure them at fair value. The statement requires that changes in the derivatives fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company is evaluating SFAS No. 133 and the impact on existing accounting policies and financial reporting disclosures. However, the Company has not to date engaged in activities or entered into arrangements normally associated with derivative instruments.

In December 1999, the SEC released Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition". SAB No. 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements and draws upon the existing accounting rules and explains those rules, by analogy, to other transactions that the existing rules do not specifically address. SAB No. 101 requires that revenue generally is realized or realizable when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable and collectibility is reasonably assured. The Company has not yet determined what impact the adoption of SAB No. 101 will have on its consolidated financial statements. The Company is required to adopt SAB No. 101 no later than the first quarterly filing of fiscal 2001.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk primarily related to potential adverse changes in interest rates as discussed below. Management is actively involved in monitoring exposure to market risk. We are not exposed to any other significant market risks, including commodity price risk, foreign currency exchange risk or interest rate risks from the use of derivative financial instruments. Management does not use derivative financial instruments for trading or to speculate on changes in interest rates or commodity prices.

Therefore, our exposure to changes in interest rates primarily results from our short-term and long-term debt, with both fixed and floating interest rates. Our debt with fixed interest rates primarily consists of the Senior Subordinated Notes. Our debt with variable interest rates is primarily the Credit Facility. 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, 2000.

	2001	2002	2003	2004	2005	Thereafter	Total
Liabilities-Long-Term Debt:							
Variable Rate...........	$ 87,000	-	-	-	-	-	$ 87,000
Average Interest Rate...	7.851%	7.851%	7.851%	7.851%	7.851%	7.851%	7.851%
Fixed Rate..............	-	-	-	-	-	$150,000	$150,000
Average Interest Rate...	9.375%	9.375%	9.375%	9.375%	9.375%	9.375%	9.375%

	Total	Fair Value
Liabilities - Long Term Debt:		
Variable Rate..	$ 87,000	$ 87,000
Fixed Rate...	$150,000	$124,000

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

A. EXHIBITS:

27.1 Financial Data Schedule

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: August 14, 2000 By: /s/ William W. Reynolds

William W. Reynolds
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
27.1	Financial Data Schedule

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF INTEGRATED ELECTRICAL SERVICES, INC. AS OF JUNE 30, 2000, AND FOR THE NINE MONTHS ENDED JUNE 30, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS
SEP-30-2000
OCT-01-1999
JUN-30-2000
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