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, 2002

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 July 30, 2002 of the issuer's common stock was 39,975,328 and of the issuer's restricted voting common stock was 2,605,709.

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

INDEX

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

	September 30, 2001	June 30, 2002
	(Audited)	(Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,475	$ 32,955
Accounts receivable:		
Trade, net of allowance of $5,206 and $5,683 respectively	275,922	236,745
Retainage	64,933	61,058
Related parties	222	153
Costs and estimated earnings in excess of billings on uncompleted contracts	62,249	47,983
Inventories	21,855	27,568
Prepaid expenses and other current assets	23,858	16,153
Total current assets	452,514	422,615
PROPERTY AND EQUIPMENT, net	70,343	64,470
GOODWILL, net	482,654	199,370
OTHER NON-CURRENT ASSETS	27,992	24,783
Total assets	$ 1,033,503	$ 711,238
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt and current maturities of long-term debt	$ 679	$ 474
Accounts payable and accrued expenses	164,272	120,702
Income taxes payable	700	161
Billings in excess of costs and estimated earnings on uncompleted contracts	50,234	57,240
Total current liabilities	215,885	178,577
LONG-TERM BANK DEBT	12,000	--
OTHER LONG-TERM DEBT, net of current maturities	872	1,299
SENIOR SUBORDINATED NOTES, net of $4,949 and $4,442 unamortized discount, respectively	273,210	273,691
OTHER NON-CURRENT LIABILITIES	2,892	3,653
Total liabilities	504,859	457,220
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, 38,331,672 and 38,430,113 shares issued, respectively	383	384
Restricted voting common stock, $.01 par value, 2,605,709 shares issued, authorized and outstanding	26	26
Treasury stock, at cost, 1,245,879 and 1,068,577 shares, respectively	(9,181)	(7,909)
Additional paid-in capital	428,640	428,340
Retained earnings (deficit)	108,719	(166,835)
Accumulated other comprehensive income	57	12
Total stockholders' equity	528,644	254,018
Total liabilities and stockholders' equity	$ 1,033,503	$ 711,238

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,	
	2001	2002
	(Unaudited)	
Revenues	$ 1,269,575	$ 1,106,479
Cost of services (including depreciation)	1,036,530	936,058
Gross profit	233,045	170,421
Selling, general and administrative expenses	156,744	133,083
Restructuring charges	--	5,556
Goodwill amortization	9,737	--
Income from operations	66,564	31,782
Other (income)/expense:		
Interest expense	18,993	19,766
Gain on sale of assets	(98)	(157)
Other expense, net	367	524
	19,262	20,133
Income before income taxes and cumulative effect of change in accounting principle	47,302	11,649
Provision for income taxes	21,686	3,919
Cumulative effect of change in accounting principle, net of tax	--	283,284
Net income (loss)	$ 25,616	$ (275,554)
Basic earnings (loss) per share:		
Basic earnings per share before cumulative effect of change in accounting principle	$ 0.63	$ 0.19
Cumulative effect of change in accounting principle	$ --	$ (7.10)
Basic earnings (loss) per share	$ 0.63	$ (6.91)
Diluted earnings (loss) per share:		
Diluted earnings per share before cumulative effect of change in accounting principle	$ 0.62	$ 0.19
Cumulative effect of change in accounting principle	$ --	$ (7.10)
Diluted earnings (loss) per share	$ 0.62	$ (6.91)
Shares used in the computation of earnings (loss) per share (Note 5):		
Basic	40,637,478	39,877,209
Diluted	41,114,463	39,877,209

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,	
	2001	2002
	(Unaudited)	
Revenues	$ 423,988	$ 374,819
Cost of services (including depreciation)	342,233	316,328
Gross profit	81,755	58,491
Selling, general and administrative expenses	52,971	39,918
Goodwill amortization	3,244	--
Income from operations	25,540	18,573
Other (income)/expense:		
Interest expense	6,499	6,337
Gain on sale of assets	(21)	(24)
Other expense, net	54	47
	6,532	6,360
Income before income taxes	19,008	12,213
Provision for income taxes	8,475	4,736
Net income	$ 10,533	$ 7,477
Basic earnings per share	$ 0.26	$ 0.19
Diluted earnings per share	$ 0.26	$ 0.19
Shares used in the computation of earnings per share (Note 5):		
Basic	40,321,415	39,936,914
Diluted	40,956,004	40,073,939

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)

Restricted
Voting
Accumulated
Common Stock
Common Stock
Treasury Stock
Additional
Retained Other -

-- -------------
---- -----------
--------- Paid-
In Earnings
Comprehensive
Shares Amount
Shares Amount
Shares Amount
Capital
(Deficit) Income
(Loss) ---------
- ------ -------
-- ------ ------
---- ------- ---
-------- -------
--- ------------
- BALANCE,
September 30,
2001
....
38,331,672 $ 383
2,605,709 $ 26
(1,245,879)
$(9,181) $
428,640 $
108,719 $ 57
Issuance of
stock
(unaudited)
.... 5,740
-- -- -- 213,150
1,321 (359) -- -
- Purchase of
stock
(unaudited)
.... -- --
-- -- (100,000)
(523) -- -- --
Issuance of
stock under
employee stock
purchase plan
(unaudited)
..... -- -- -- -
- 55,742 411
(411) -- --
Exercise of
stock options
(unaudited)
....
92,701 1 -- --
8,410 63 470 --
-- Unrealized
holding loss on
securities, net
of tax
(unaudited)
.... -- --
-- -- -- -- -- -
- (45) Net loss
(unaudited)
..... -- -- -- -
- -- -- --

(275,554) --
Comprehensive
loss (unaudited)
.... -----
----- ------ ---
------ ------ --
-------- -------
----------- ----
------ ---------
---- BALANCE,
June 30, 2002
(unaudited)
..... 38,430,113
$ 384 2,605,709
$ 26 (1,068,577)
$(7,909) $
428,340 $
(166,835) $ 12
==========
====== =========
======
==========
=======
===========
==========
=============

Total
Stockholders'
Equity ---------
---- BALANCE,
September 30,
2001
....
$ 528,644
Issuance of
stock
(unaudited)
.... 962
Purchase of
stock
(unaudited)
.... (523)
Issuance of
stock under
employee stock
purchase plan
(unaudited)
..... --
Exercise of
stock options
(unaudited)
.... 534
Unrealized
holding loss on
securities, net
of tax
(unaudited)
.... (45)
Net loss
(unaudited)
..... (275,554)
=============
Comprehensive
loss (unaudited)
....
(275,599)
=============
BALANCE, June
30, 2002
(unaudited)
..... $ 254,018
=============

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, 2001	Nine Months Ended June 30, 2002
		(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 25,616	$ (275,554)
Adjustments to reconcile net income (loss) to net cash provided by operating activities -		
Cumulative effect of change in accounting principle	--	283,284
Depreciation and amortization	21,354	12,707
Gain on sale of property and equipment	(98)	(157)
Non-cash compensation expense	426	1,422
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable, net	34,393	43,121
Inventories	(4,143)	(5,713)
Costs and estimated earnings in excess of billings on uncompleted contracts	(4,146)	14,266
Prepaid expenses and other current assets	(18,827)	9,083
Increase (decrease) in:		
Accounts payable and accrued expenses	(55,704)	(40,254)
Billings in excess of costs and estimated earnings on uncompleted contracts	2,358	7,006
Income taxes payable	5,984	(539)
Other, net	3,143	(1,399)
Net cash provided by operating activities	10,356	47,273
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	930	867
Additions to property and equipment	(19,743)	(7,545)
Purchase of businesses, net of cash acquired	(233)	--
Investments in available for sale securities	(5,249)	(300)
Additions to note receivable from affiliate	--	(583)
Net cash used by investing activities	(24,295)	(7,561)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	212,565	74,558
Repayments of debt	(185,570)	(86,331)
Proceeds from sale of interest rate swap	--	1,530
Purchase of treasury stock	(10,104)	(523)
Payments for debt issuance costs	(5,358)	--
Issuance of stock	1,029	--
Proceeds from sale of treasury stock	980	--
Proceeds from exercise of stock options	48	534
Net cash provided by (used by) financing activities	13,590	(10,232)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(349)	29,480
CASH AND CASH EQUIVALENTS, beginning of period	770	3,475
CASH AND CASH EQUIVALENTS, end of period	$ 421	$ 32,955
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for Interest	$ 14,732	$ 13,757
Income taxes	$ 22,466	$ 4,861

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,	
	2001	2002
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 10,533	$ 7,477
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	7,399	4,133
Gain on sale of property and equipment	(21)	(24)
Non-cash compensation expense	142	--
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable, net	(3,152)	5,729
Inventories	(3,618)	89
Costs and estimated earnings in excess of billings on uncompleted contracts	(3,351)	3,827
Prepaid expenses and other current assets	(6,518)	4,566
Increase (decrease) in:		
Accounts payable and accrued expenses	242	10,854
Billings in excess of costs and estimated earnings on uncompleted contracts	512	3,404
Income taxes payable	5,088	(74)
Other, net	2,053	(2,521)
Net cash provided by operating activities	9,309	37,460
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	411	456
Additions to property and equipment	(7,360)	(1,554)
Investments in available for sale securities	(400)	--
Net cash used by investing activities	(7,349)	(1,098)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	155,565	175
Repayments of debt	(143,813)	(6,284)
Proceeds from sale of interest rate swap	--	--
Purchase of treasury stock	(8,648)	(523)
Payments for debt issuance costs	(5,358)	--
Proceeds from sale of treasury stock	--	--
Proceeds from exercise of stock options	48	516
Proceeds from issuance of stock	34	--
Net cash used by financing activities	(2,172)	(6,116)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(212)	30,246
CASH AND CASH EQUIVALENTS, beginning of period	633	2,709
CASH AND CASH EQUIVALENTS, end of period	$ 421	$ 32,955
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for Interest	$ 2,657	$ 391
Income taxes	$ 3,376	$ 659

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

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 and related 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, 2001 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, 2002, are not necessarily indicative of the results that may be expected for the fiscal year ended September 30, 2002.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For a description of these policies, refer to Note 2 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 2001.

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, fair value assumptions in analyzing goodwill impairment, allowance for doubtful accounts and self-insured claims liability.

NEW ACCOUNTING PRONOUNCEMENT

In August 2001, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company is in the process of assessing the impact that the adoption of this standard will have on its financial position and results of operations.

2. GOODWILL AND OTHER INTANGIBLE ASSETS

Effective October 1, 2001, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS No. 142, all goodwill amortization ceased effective October 1, 2001. Goodwill amortization for the three and nine months ended June 30, 2002 would have otherwise been $3.2 million and $9.7 million, respectively. Material amounts of recorded goodwill attributable to each of the Company's reporting units were tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value was determined using discounted cash flows, market multiples and market capitalization. These impairment tests are required to be performed at adoption of SFAS No. 142 and at least annually thereafter. Significant estimates used in the methodologies include estimates of future cash flows, future short-term and long-term growth rates, weighted average cost of capital and estimates of market multiples for each of the reportable units. On an ongoing basis (absent any impairment indicators), the Company expects to perform impairment tests annually during the first fiscal quarter.

Based on the Company's impairment tests performed upon adoption of SFAS No. 142, it recognized a charge of $283.3 million ($7.10 per share) in the first quarter of 2002 to reduce the carrying value of goodwill of its reporting units to its implied fair value. This impairment is a result of adopting a fair value approach, under SFAS No. 142, to testing impairment of goodwill as compared to the previous method utilized in which evaluations of goodwill impairment were made by the Company using the estimated future undiscounted cash flows compared to the assets carrying amount. Under SFAS No. 142, the impairment adjustment recognized at adoption of the new rules was reflected as a cumulative effect of change in accounting principle in the Company's first quarter 2002 income statement. Impairment adjustments recognized after adoption, if any, generally are required to be recognized as operating expenses.

The carrying amount of goodwill attributable to each reportable operating unit with goodwill balances and changes therein follows:

	September 30, 2001	Impairment Adjustment	June 30, 2002
Commercial and Industrial	$ 418,887	$ 277,042	$141,845
Residential	63,767	6,242	57,525
	$ 482,654	$ 283,284	$199,370

The unaudited results of operations presented below for the nine months ended June 30, 2002 and adjusted results of operations for the nine months ended June 30, 2001 reflect the operations of the Company had we adopted the non-amortization provisions of SFAS No. 142 effective October 1, 2000:

	Nine Months Ended June 30, 2001	2002
Reported net income (loss)	$ 25,616	$ (275,554)
Add: Cumulative effect of change in accounting principle, net of tax	--	283,284
Add: Goodwill amortization, net of tax	9,737	--
Adjusted net income	$ 35,353	$ 7,730
Basic earnings (loss) per share: Reported net income (loss)	$ 0.63	$ (6.91)
Add: Cumulative effect of change in accounting principle, net of tax	--	7.10
Add: Goodwill amortization, net of tax	0.24	--
Adjusted net income	$ 0.87	$ 0.19
Diluted earnings (loss) per share: Reported net income (loss)	$ 0.62	$ (6.91)
Add: Cumulative effect of change in accounting		

principle, net of tax .... -- 7.10 Add: Goodwill amortization, net of tax ...... 0.24 -- ------------ ------------ Adjusted net income (loss) .... $ 0.86 $ 0.19 ============ ============

3. RESTRUCTURING CHARGES

In October 2001, the Company began implementation of a workforce reduction program. The purpose of this program was to cut costs by reducing the number of administrative staff both in the field and at the home office. The total number of terminated employees was approximately 450. As a result of the program implementation, the Company recorded pre-tax restructuring charges of $5.6 million associated with 45 employees during the nine months ended June 30, 2002. The charges were based on the costs of the workforce reduction program and include severance and other special termination benefits. At June 30, 2002, approximately $1.5 million of these charges have not been paid and are included in accrued expenses.

4. DEBT

Credit Facility

The Company is party to a $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, as amended (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 3.50 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 an additional 0.25 percent to 2.00 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 of its Credit Facility, as amended, at June 30, 2002. As of June 30, 2002, the Company had no borrowings outstanding under its Credit Facility, letters of credit outstanding under its Credit Facility of $18.9 million, $1.8 million of other borrowings and available borrowing capacity under its Credit Facility of $131.1 million.

Senior Subordinated Notes

The Company has $275.0 million in senior subordinated notes. The senior subordinated notes bear interest at 9.375% 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.

Interest Rate Swap

The Company entered into an interest rate swap agreement in August 2001, designated as a fair value hedge, in order to minimize the risks and cost associated with its financing activities. The interest rate swap agreement has a notional amount of $100.0 million and was established to manage the interest rate risk of the senior subordinated note obligations. Under the swap agreement, the Company pays the counterparty variable rate interest (3-month LIBOR plus 3.49%) and the counterparty pays the Company fixed rate interest of 9.375% on a semiannual basis over the life of the instrument. At September 30, 2001, the interest rate swap had a fair value of $3.2 million and is included in the balance sheet in other noncurrent assets. The Company terminated this interest rate swap agreement in February 2002. The Company received proceeds equal to the fair value of the swap on the date of termination of $1.5 million, which is being amortized over the remaining life of the bonds.

The Company entered into a new interest rate swap agreement in February 2002, designated as a fair value hedge, in order to minimize the risks and cost associated with its financing activities. The interest rate swap agreement has a notional amount of $100.0 million and was established to manage the interest rate risk of the senior subordinated note obligations. Under the swap agreement, the Company pays the counterparty variable rate interest (3-month trailing LIBOR plus 3.86%) and the counterparty pays the Company fixed rate interest of 9.375% on a semiannual basis over the life of the instrument. Such interest rate swap contract is reflected at fair value on the Company's consolidated balance sheet and the related portion of fixed-rate debt being hedged is reflected at an amount equal to the sum of its carrying value plus an adjustment representing the change in fair value of the debt obligation attributable to the interest rate being hedged. The net effect of this accounting on the Company's operating results is that interest expense on the portion of fixed-rate debt being hedged is generally recorded based on variable interest rates. The interest rate swap is considered to be perfectly effective because it qualifies for the "short-cut" method and therefore there is no net change in fair value to be recognized in income. At June 30, 2002, the interest rate swap had a fair value of $1.6 million and is included in the balance sheet in other noncurrent assets.

Debt consists of the following (in thousands):

	September 30, 2001	June 30, 2002
Secured credit facility with a group of lending institutions, due May 22, 2004, at a weighted average interest rate of 7.56%	$ 12,000	$ --
Senior subordinated notes, due February 1, 2009, bearing interest at 9.375% with an effective interest rate of 9.50%	150,000	150,000
Senior subordinated notes, due February 1, 2009, bearing interest at 9.375% with an effective interest rate of 10.00%	125,000	125,000
Other	1,551	1,773
Total debt	288,551	276,773
Less - short-term debt and current maturities of long-term debt	(679)	(474)
Less - unamortized discount on senior subordinated notes	(4,949)	(4,442)
Add - fair value of terminated interest rate hedge	--	1,530
Add - fair value of interest rate hedge	3,159	1,603
Total long-term debt	$ 286,082	$ 274,990

5. EARNINGS PER SHARE

The following table reconciles the numerators and denominators of the basic and diluted earnings per share for the nine months ended June 30, 2001 and 2002 (in thousands, except share information):

	Nine Months Ended June, 2001	Nine Months Ended June, 2002
Numerator: Net income (loss)	$ 25,616	$ (275,554)
Denominator: Weighted average shares outstanding - basic	40,637,478	39,877,209
Effect of dilutive stock options	476,985	--
Weighted average shares outstanding - diluted	41,114,463	39,877,209
Earnings (loss) per share: Basic	$ 0.63	$ (6.91)
Diluted	$ 0.62	$ (6.91)

The Company excluded 47,766 shares from its calculation of weighted shares outstanding because the Company reported a loss during the period, and including them would have had an antidilutive effect on loss per share. For the nine months ended June 30, 2001 and 2002, stock options of 4.4 million and 6.2 million respectively, were excluded 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.

The following table reconciles the numerators and denominators of the basic and diluted earnings per share for the three months ended June 30, 2001 and 2002 (in thousands, except share information):

	Three Months Ended June 30,	
	2001	2002
Numerator: Net income	$ 10,533	$ 7,477
Denominator: Weighted average shares outstanding - basic	40,321,415	39,936,914
Effect of dilutive stock options	634,589	137,025
Weighted average shares outstanding - diluted	40,956,004	40,073,939
Earnings per share: Basic	$ 0.26	$ 0.19
Diluted	$ 0.26	$ 0.19

For the three months ended June 30, 2001 and 2002, stock options of 4.4 million were excluded from the computation of diluted earnings per share because the options exercise prices were greater than the average market price of the Company's common stock.

6. 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 two distinct customer groups. They are managed separately because each business requires different operating and marketing strategies.

During the nine months ended June 30, 2002, the Company realigned its operations between two reportable segments: commercial/industrial and residential. The commercial/industrial segment provides electrical and communications contracting, design, installation, renovation, engineering and upgrades and maintenance 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, petrochemical and power plants, outside plant, network enterprise and switch network customers. The residential segment consists of electrical and communications contracting, installation, replacement and renovation services in single family and low-rise multifamily housing units. 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, 2001 and 2002 is as follows (in thousands):

NINE MONTHS ENDED JUNE 30, 2001	COMMERCIAL/ INDUSTRIAL	RESIDENTIAL	OTHER	TOTAL
Revenues	$ 1,075,672	$ 193,903	$ --	$ 1,269,575
Cost of services (including depreciation)	888,069	148,461	--	1,036,530
Gross profit	187,603	45,442	--	233,045
Selling, general and administrative	103,584	23,035	30,125	156,744
Goodwill amortization	8,348	1,389	--	9,737
Operating income	$ 75,671	$ 21,018	$ (30,125)	$ 66,564
Other data:				
Depreciation expense	$ 9,674	$ 1,288	$ 655	$ 11,617
Capital expenditures	12,922	1,533	5,288	19,743
Total assets	835,930	114,221	67,736	1,017,887

NINE MONTHS ENDED JUNE 30, 2002	COMMERCIAL/ INDUSTRIAL	RESIDENTIAL	OTHER	TOTAL
Revenues	$ 903,126	$ 203,353	$ --	$ 1,106,479
Cost of services (including depreciation)	778,589	157,469	--	936,058
Gross profit	124,537	45,884	--	170,421
Selling, general and administrative	87,556	24,886	20,641	133,083
Restructuring charge	--	--	5,556	5,556
Operating income	$ 36,981	$ 20,998	$ (26,197)	$ 31,782
Other data:				
Depreciation expense	$ 10,530	$ 768	$ 1,409	$ 12,707
Capital expenditures	4,807	434	2,304	7,545
Total assets	516,578	99,973	94,687	711,238

The Company's information for the nine months ended June 30, 2001 has been restated for consistency with the current year presentation.

Segment information for the three months ended June 30, 2001 and 2002 is as follows (in thousands):

THREE MONTHS ENDED JUNE 30, 2001	RESIDENTIAL	COMMERCIAL/ INDUSTRIAL	OTHER	TOTAL
Revenues	$ 352,203	$ 71,785	$ --	$ 423,988
Cost of services (including depreciation)	287,942	54,291	--	342,233
Gross profit	64,261	17,494	--	81,755
Selling, general and administrative	32,912	8,686	11,373	52,971
Goodwill amortization	2,652	592	--	3,244
Operating income	$ 28,697	$ 8,216	$ (11,373)	$ 25,540
Other data:				
Depreciation expense	$ 3,449	$ 460	$ 246	$ 4,155
Capital expenditures	4,855	498	2,007	7,360
Total assets	835,930	114,221	67,736	1,017,887

THREE MONTHS ENDED JUNE 30, 2002	RESIDENTIAL	COMMERCIAL/ INDUSTRIAL	OTHER	TOTAL
Revenues	$ 302,152	$ 72,667	$ --	$ 374,819
Cost of services (including depreciation)	261,343	54,985	--	316,328
Gross profit	40,809	17,682	--	58,491
Selling, general and administrative	25,029	8,406	6,483	39,918
Operating income	$ 15,780	$ 9,276	$ (6,483)	$ 18,573
Other data:				
Depreciation expense	$ 3,511	$ 158	$ 464	$ 4,133
Capital expenditures	980	170	404	1,554
Total assets	516,578	99,973	94,687	711,238

The Company's information for the three months ended June 30, 2001 has been restated for consistency with the current year presentation. The Company does not have significant operations or long-lived assets in countries outside of the United States.

7. 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.

The Company granted a restricted stock award of 400,000 shares under its 1999 Plan. The market value of the stock on the date of grant for this award was $2.3 million. During the nine months ended June 30, 2001 and 2002, the Company amortized $0.3 million and $1.4 million, respectively, in connection with this award. During the three months ended June 30, 2001 the Company amortized $0.1 million in connection with this award. The award became fully vested and was fully amortized during the three months ended December 31, 2001. Accordingly, the Company had no amortization expense related to this award during the three months ended June 30, 2002.

8. 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 and it is possible that the results of legal proceedings may materially adversely affect us, 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 up to $5.0 million in EnerTech Capital Partners II L.P. ("EnerTech"). EnerTech is a private equity firm specializing in investment opportunities emerging from the deregulation and resulting convergence of the energy, utility and telecommunications industries. Through June 30, 2002, the Company had invested $1.8 million under its commitment to EnerTech.

9. SUBSEQUENT EVENTS

On July 11, 2002 and July 30, 2002, the Company purchased $10.0 million and $1.5 million of its 9.375% senior subordinated notes due February 1, 2009 at 96% and 91% of par, respectively.

On July 25, 2002, the Company sold one of its subsidiaries for approximately $6.6 million in cash and approximately 241,000 shares of its common stock.

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, 2001.

In response to the SEC's Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," we have identified the accounting principles which we believe are most critical to our reported financial status by considering accounting policies that involve the most complex or subjective decisions or assessments. We identified our most critical accounting policies to be those related to revenue recognition, the assessment of goodwill impairment, our allowance for doubtful accounts receivable and the recording of our self-insurance liabilities. These accounting policies, as well as others, are described in the Notes to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended September 30, 2001 and at relevant sections in this discussion and analysis.

Our revenues are derived by providing specialty contracting services to the commercial and industrial and residential markets. Those markets comprise our reportable segments.

We enter into contracts principally on the basis of competitive bids. We frequently negotiate the final terms and prices of those contracts with the customer. Although the terms of our contracts vary considerably, most are made on either a fixed price or unit price basis in which we agree to do the work for a fixed amount for the entire project (fixed price) or for units of work performed (unit price). We also perform services on a cost-plus or time and materials basis. We are generally able to achieve higher margins on fixed price and unit price than on cost-plus contracts. We currently generate, and expect to continue to generate, more than half of our revenues under fixed price contracts. The cost of labor and materials, however, may vary from the costs we originally estimated. Variations from estimated contract costs along with other risks inherent in performing fixed price and unit price contracts may result in actual revenue and gross profits for a project differing from those we originally estimated and could result in losses on projects. Depending on the size of a particular project, variations from estimated project costs could have a significant impact on our operating results for any fiscal quarter or year. We believe our exposure to losses on fixed price contracts is limited in aggregate by the high volume and relatively short duration of the fixed price contracts we undertake. Additionally, we derive a significant amount of our revenues from new construction and from the southern part of the United States. Downturns in new construction activity or in construction in the southern United States could affect our results.

We complete most projects within one year, while we frequently provide service and maintenance work under open-ended, unit price master service agreements which are renewable annually. We recognize revenue on service and time and material work when services are performed. Work performed under a construction contract generally provides that the customers accept completion of progress to date and compensate us for services rendered measured in terms of units installed, hours expended or some other measure of progress. Revenues from construction contracts are recognized 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". Percentage-of-completion for construction contracts is measured principally by the percentage of costs incurred and accrued to date for each contract to the estimated total costs for each contract at completion. We generally consider contracts to be substantially complete upon departure from the work site and acceptance by the customer. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Changes in job performance, job conditions, estimated contract costs and profitability and final contract settlements may result in revisions to costs and income and the effects of these revisions are recognized in the period in which the revisions are determined. Provisions for total estimated losses on uncompleted contracts are made in the period in which such losses are determined.

We provide an allowance for doubtful accounts for unknown collection issues in addition to reserves for specific accounts receivable where collection is considered doubtful. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates including, among others, our customers' access to capital, our customers' willingness to pay, general economic conditions and the ongoing relationships with our customers.

We are self-insured for workers' compensation, auto liability, general liability and employee-related health care claims, subject to large deductibles. Losses up to the deductible amounts are accrued based upon our estimates of the liability for claims incurred and an estimate of claims incurred but not reported. However, insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties, the number of incidents not reported and the effectiveness of our safety program. The accruals are based upon known facts and historical trends and management believes such accruals to be adequate.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED JUNE 30, 2001 COMPARED TO THE NINE MONTHS ENDED JUNE 30, 2002

The following table presents selected unaudited historical financial information for the nine months ended June 30, 2001 and 2002.

	Nine Months Ended June 30,			
	2001	%	2002	%
	(dollars in millions)			
Revenues	$1,269.6	100%	$1,106.5	100%
Cost of services (including depreciation)	1,036.6	82%	936.1	85%
Gross profit	233.0	18%	170.4	15%
Selling, general & administrative expenses	156.7	12%	133.0	12%
Restructuring charge	--	0%	5.6	1%
Goodwill amortization	9.7	1%	--	0%
Income from operations	66.6	5%	31.8	3%
Interest and other expense, net	19.3	1%	20.1	2%
Income before income taxes and cumulative effect of change in accounting principle	47.3	4%	11.7	1%
Provision for income taxes	21.7	2%	3.9	0%
Cumulative effect of change in accounting principle, net of tax	--	0%	283.3	26%
Net income (loss)	$ 25.6	2%	$ (275.5)	(25)%

REVENUES

	PERCENT OF TOTAL REVENUES NINE MONTHS ENDED JUNE 30,	
	2001	2002
Commercial and Industrial	85%	81%
Residential	15%	19%
Total Company	100%	100%

Total revenues decreased $163.1 million, or 13%, from $1,269.6 million for the nine months ended June 30, 2001 to $1,106.5 million for the nine months ended June 30, 2002. This decrease in revenues is primarily the result of non-recurring work performed for one customer during the nine months ended June 30, 2001, a decrease in revenues from communications work and a decrease of non-residential revenues in the Midwest, as well as increased competition across the country for available work during the nine months ended June 30, 2002.

Commercial and industrial revenues decreased $172.6 million, or 16 %, from $1,075.7 million for the nine months ended June 30, 2001, to $903.1 million for the nine months ended June 30, 2002. This decrease in revenues is primarily the result of non-recurring work performed for one customer during the nine months ended June 30, 2001, a decrease in revenues from communications work and a decrease of non-residential revenues in the Northwest and Midwest, as well as increased competition across the country for available work during the nine months ended June 30, 2002.

Residential revenues increased $9.5 million, or 5%, from $193.9 million for the nine months ended June 30, 2001, to $203.4 million for the nine months ended June 30, 2002, primarily as a result of increased awards of construction contracts in markets we serve.

GROSS PROFIT

	SEGMENT GROSS PROFIT MARGINS AS A PERCENT OF SEGMENT REVENUES - NINE MONTHS ENDED JUNE 30,	
	2001	2002
Commercial and Industrial	17%	14%
Residential	23%	23%
Total Company	18%	15%

Gross profit decreased $62.6 million, or 27%, from $233.0 million for the nine months ended June 30, 2001, to $170.4 million for the nine months ended June 30, 2002. Gross profit margin as a percentage of revenues decreased approximately 3 percentage points from 18% for the nine months ended June 30, 2001 to 15% for the nine months ended June 30, 2002. This decrease in gross profit margin as a percentage of revenues was primarily the result of increased competition for available work, project fade recorded on fixed-price contracts at some of our subsidiaries during the nine months ended June 30, 2002 and lower margins on work in the communications market.

Commercial and industrial gross profit decreased $63.1 million, or 34%, from $187.6 million for the nine months ended June 30, 2001, to $124.5 million for the nine months ended June 30, 2002. Commercial and industrial gross profit margin as a percentage of revenues decreased 3 percentage points from 17% for the nine months ended June 30, 2001, to 14% for the nine months ended June 30, 2002. This decrease in gross profit margin as a percentage of revenues was primarily the result of increased competition for available work, project fade recorded on fixed-price contracts at one of our subsidiaries during the nine months ended June 30, 2002 and lower margins on work in the communications market.

Residential gross profit increased $0.5 million, or 1%, from $45.4 million for the nine months ended June 30, 2001, to $45.9 million for the nine months ended June 30, 2002. Residential gross profit margin as a percentage of revenues remained the same at 23% for the nine months ended June 30, 2001 and 2002.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses decreased $23.7 million, or 15%, from $156.7 million for the nine months ended June 30, 2001, to $133.0 million for the nine months ended

June 30, 2002. This decrease was primarily the result of the termination of certain administrative field and home office personnel during the nine months ended June 30, 2002. Selling, general and administrative expenses as a percentage of revenues remained the same at 12% for the nine months ended June 30, 2001 and 2002.

RESTRUCTURING CHARGES

In October 2001, we began implementation of a workforce reduction program. The purpose of this program was to reduce the number of administrative staff both in the field and in the home office. The total number of terminated employees was approximately 450. As a result of the program implementation, we recorded pre-tax restructuring charges of $5.6 million associated with 45 employees during the nine months ended June 30, 2002. The charges were based on the cost of the workforce reduction program, including severance and other termination benefits. At June 30, 2002, approximately $1.5 million of these charges have not been paid and are included in accrued expenses.

INCOME FROM OPERATIONS

Income from operations decreased $34.8 million, or 52%, from $66.6 million for the nine months ended June 30, 2001, to $31.8 million for the nine months ended June 30, 2002. This decrease in income from operations was primarily attributed to decreased revenues year over year, decreased margins earned on those revenues and restructuring charges of $5.6 million incurred during the nine months ended June 30, 2002, partially offset by the non-recurring goodwill amortization of $9.7 million incurred during the nine months ended June 30, 2001 in accordance with the current accounting standard.

NET INTEREST AND OTHER EXPENSE

Interest and other expense, net increased $0.8 million from $19.3 million for the nine months ended June 30, 2001, to $20.1 million for the nine months ended June 30, 2002, primarily as a result of interest expense attributable to increased average borrowings over the period and a $0.7 million loss recorded on our investment in Energy Photovoltaics, Inc.

PROVISION FOR INCOME TAXES

Our effective tax rate decreased from 45.9% for the nine months ended June 30, 2001 to 33.6% for the nine months ended June 30, 2002. The effective rate for the nine months ended June 30, 2001 included a provision for non-deductible goodwill amortization expense while the effective tax rate for the nine months ended June 30, 2002 included the effect of the reversal of certain valuation allowances due to the projected utilization of certain net operating loss carry forwards.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2002

The following table presents selected unaudited historical financial information for the three months ended June 30, 2001 and 2002.

	Three Months Ended June 30,			
	2001	%	2002	%
	(dollars in millions)			
Revenues	$ 424.0	100%	$ 374.8	100%
Cost of services (including depreciation)	342.2	81%	316.3	84%
Gross profit	81.8	19%	58.5	16%
Selling, general & administrative expenses	53.0	12%	39.9	11%
Goodwill amortization	3.2	1%	--	0%
Income from operations	25.6	6%	18.6	5%
Interest and other expense, net	6.6	1%	6.4	2%
Income before income taxes	19.0	5%	12.2	3%
Provision for income taxes	8.5	2%	4.7	1%
Net income	$ 10.5	3%	$ 7.5	2%

REVENUES

	PERCENT OF TOTAL REVENUES	
	THREE MONTHS ENDED JUNE 30,	
	2001	2002
Commercial and Industrial	83%	81%
Residential	17%	19%
Total Company	100%	100%

Total revenues decreased $49.2 million, or 12%, from $424.0 million for the three months ended June 30, 2001, to $374.8 million for the three months ended June 30, 2002. This decrease in revenues is primarily the result of non-recurring work performed for one customer during the three months ended June 30, 2001, a decrease in revenues from communications work and a decrease of non-residential revenues in the Midwest, as well as increased competition across the country for available work during the three months ended June 30, 2002.

Commercial and industrial revenues decreased $50.1 million, or 14%, from $352.2 million for the three months ended June 30, 2001, to $302.1 million for the three months ended June 30, 2002. This decrease in revenues is primarily the result of non-recurring work performed for one customer during the three months ended June 30, 2001, a increase in revenues from communications work and a decrease of non-residential revenues in the Midwest, as well as increased competition across the country for available work during the three months ended June 30, 2002.

Residential revenues increased $0.9 million, or 1%, from $71.8 million for the three months ended June 30, 2001, to $72.7 million for the three months ended June 30, 2002, primarily as a result of increased awards of construction contracts in markets we serve.

GROSS PROFIT

SEGMENT GROSS PROFIT MARGINS AS A PERCENT OF SEGMENT REVENUES - THREE MONTHS ENDED JUNE 31,	2001	2002
Commercial and Industrial	18%	14%
Residential	24%	24%
Total Company	19%	16%

Gross profit decreased $23.3 million, or 28%, from $81.8 million for the three months ended June 30, 2001, to $58.5 million for the three months ended June 30, 2002. Gross profit margin as a percentage of revenues decreased approximately 3 percentage points from 19% for the three months ended June 30, 2001 to 16% for the three months ended June 30, 2002. This decrease in gross profit margin as a percentage of revenues was primarily the result of increased competition for available work and lower margins on work in the communications market.

Commercial and industrial gross profit decreased $23.5 million, or 36%, from $64.3 million for the three months ended June 30, 2001, to $40.8 million for the three months ended June 30, 2002. Commercial and industrial gross profit margin as a percentage of revenues decreased 4 percentage points from 18% for the three months ended June 30, 2001, to 14% for the three months ended June 30, 2002. This decrease in gross profit margin as a percentage of revenues was primarily the result of increased competition for available work and lower margins on work in the communications market.

Residential gross profit increased $0.2 million, or 1%, from $17.5 million for the three months ended June 30, 2001, to $17.7 million for the three months ended June 30, 2002. Residential gross profit margin as a percentage of revenues remained the same at 24% for the three months ended June 30, 2001 and 2002.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses decreased $13.1 million, or 25%, from $53.0 million for the three months ended June 30, 2001, to $39.9 million for the three months ended June 30, 2002. This decrease was primarily the result of the termination of certain administrative field and home office personnel during the three months ended June 30, 2002. Selling, general and administrative expenses as a percentage of revenues decreased 1% from the three months ended June 30, 2001 to the three months ended June 30, 2002 as a result of these non-recurring expenses.

INCOME FROM OPERATIONS

Income from operations decreased $7 million, or 27%, from $25.6 million for the three months ended June 30, 2001, to $18.6 million for the three months ended June 30, 2002. This decrease in income from operations was primarily attributed to decreased revenues year over year, decreased margins earned on those revenues partially offset by the non-recurring amortization of goodwill of $3.2 million incurred during the three months ended June 30, 2001 in accordance with the current accounting standard.

NET INTEREST AND OTHER EXPENSE

Interest and other expense, net decreased from $6.6 million for the three months ended June 30, 2001, to $6.4 million for the three months ended June 30, 2002, primarily as a result of decreased interest expense attributable to decreased average borrowings over the period.

PROVISION FOR INCOME TAXES

Our effective tax rate decreased from 44.7% for the three months ended June 30, 2001 to 38.8% for the three months ended June 30, 2002. The lower effective tax rate in the current three months was the result of non-deductible goodwill amortization expense during the three months ended June 30, 2001.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2002, we had cash and cash equivalents of $33.0 million, working capital of $244.0 million, no outstanding borrowings under our credit facility, $18.9 million of letters of credit outstanding, and available capacity under our credit facility of $131.1 million. The amount outstanding under our senior subordinated notes was $275.0 million. All debt obligations are on our balance sheet.

During the nine months ended June 30, 2002, we generated $47.3 million of net cash from operating activities. This net cash provided by operating activities was comprised of a net loss of $275.6 million, increased by $297.4 million of non-cash charges related primarily to the cumulative effect of change in accounting principle, depreciation expense, and non-cash compensation expenses and increased by changes in working capital. Working capital changes consisted of a $43.1 million decrease in accounts receivable due to the timing of collections, offset by a $40.3 million decrease in accounts payable and accrued expenses as a result of the timing of payments made. Working capital changes also included a $14.3 million increase in costs and estimated earnings in excess of billings on uncompleted projects, a $7.0 million increase in billings in excess of costs and estimated earnings on uncompleted contracts, and a $9.1 million decrease in prepaids and other current assets with the balance of the change due to other working capital changes. Net cash used in investing activities was $7.6 million, consisting primarily of $7.5 million used for capital expenditures. Net cash used in financing activities was $10.2 million, resulting primarily from repayments, net of borrowings under our credit facility and proceeds received in connection with the termination of the interest rate swap in February 2002, as discussed below.

Debt Financing. We are party to a $150.0 million revolving credit facility with a syndicate of lending institutions to be used for working capital, capital expenditures, acquisitions and other corporate purposes that matures May 22, 2004, as amended. 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 3.50 percent, as determined by the ratio of our total funded debt to EBITDA (as defined in our credit facility) or (b) the higher of (i) the bank's prime rate or (ii) the Federal funds rate plus 0.50 percent plus an additional 0.25 percent to 2.00 percent, as determined by the ratio of our total funded debt to EBITDA. Commitment fees of 0.50 percent 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 the 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 of our credit facility, as amended, at June 30, 2002. At July 30, 2002, we had no outstanding borrowings under our credit facility.

We have $275.0 million in senior subordinated notes. The notes bear interest at 9.375% and will mature on February 1, 2009. We pay interest on the notes on February 1 and August 1 of each year. The notes are unsecured senior subordinated obligations and are subordinated to all of 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.

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.

In August 2001, we entered into an interest rate swap contract that has a notional amount of $100.0 million and was established to manage the interest rate risk of the senior subordinated note obligations. At September 30, 2001 the fair value of this derivative was $3.2 million and was included in other noncurrent assets. We terminated this contract in February, 2002. We received cash equal to the fair value of this derivative of $1.5 million, which is being amortized over the remaining life of the bonds.

In February, 2002 we entered into a new interest rate swap contract that has a notional amount of $100.0 million and was established to manage the interest rate risk of the senior subordinated note obligations. At June 30, 2002 the fair value of this derivative was $1.6 million and is included in the balance sheet in other noncurrent assets. Under the fair value hedge method of accounting for these types of derivatives, the change in the fair value of the interest rate swap contract is recorded with an offsetting adjustment to the carrying value of the hedged instrument and is thus included in the senior subordinated notes classification as of June 30, 2002.

Borrowings outstanding on our credit facility, our senior subordinated notes and our interest rate swap contract expose us to significant risks. Our credit facility and interest rate swap contract expose us to risks associated with floating interest rates. Our senior subordinated notes are fixed interest rate obligations. The competitiveness of those fixed rates may impair our ability to retire those obligations at reasonable rates before maturity.

Other Commitments. As is common in our industry, we have entered into certain off balance sheet arrangements that expose us to increased risk. Our significant off balance sheet transactions include liabilities associated with noncancelable operating leases, letter of credit obligations and surety guarantees.

We enter into noncancelable operating leases for many of our vehicle and equipment needs. These leases allow us to retain our cash when we do not own the vehicles or equipment and we pay a monthly lease rental fee. At the end of the lease, we have no further obligation to the lessor. We may determine to cancel or terminate a lease before the end of its term. Typically we are liable to the lessor for various lease cancellation or termination costs and the difference between the then fair market value of the leased asset and the implied book value of the leased asset as calculated in accordance with the lease agreement.

Some of our customers require us to post letters of credit as a means of guaranteeing performance under our contracts and ensuring payment by us to subcontractors and vendors. If our customer has reasonable cause to effect payment under a letter of credit, we would be required to reimburse our creditor for the letter of credit. Depending on the circumstances surrounding a reimbursement to our creditor, we may have a charge to earnings in that period. To date we have not had a situation where a customer has had reasonable cause to effect payment under a letter of credit.

Many of our customers require us to post performance and payment bonds issued by a surety. Those bonds guarantee the customer that we will perform under the terms of a contract and that we will pay subcontractors and vendors. In the event that we fail to perform under a contract or pay subcontractors and vendors, the customer may demand the surety to pay or perform under our bond. Our relationship with our surety is such that we will indemnify the surety for any expenses it incurs in connection with any of the bonds it issues on our behalf. To date, we have not incurred significant expenses to indemnify our surety for expenses it incurred on our behalf.

We have committed to invest up to $5.0 million in EnerTech Capital Partners II, L.P. ("EnerTech"). EnerTech is a private equity firm specializing in investment opportunities emerging from deregulation and resulting convergence of the energy, utility and telecommunications industries. Through June 30, 2002, we had invested $1.8 million under our commitment to EnerTech.

Our future contractual obligations include (in thousands):

	LESS THAN ONE YEAR	2003	2004	2005	2006	THEREAFTER	TOTAL
Debt and capital lease obligations	$ 474	$ 574	$ 411	$ 287	$ 26	$ 275,000	$ 276,773
Operating lease obligations	$ 4,728	$ 9,458	$ 7,016	$ 5,087	$ 2,648	$ 3,334	$ 32,270

Our other commercial commitments expire as follows:

	LESS THAN ONE YEAR	2003	2004	2005	2006	THEREAFTER	TOTAL
Standby letters of credit	$ 11,521	$ 7,349	$ --	$ --	$ --	$ --	$ 18,870
Other commercial commitments	$ --	$ --	$ --	$ --	$ --	$ 3,200(1)	$ 3,200

(1) Balance of investment commitment in EnerTech.

Outlook. The following statements are based on current expectations. These statements are forward-looking and actual results may differ materially. Economic conditions across the country are challenging. We continue to focus on collecting receivables and reducing days sales outstanding. To improve our position for continued success, we have taken steps to reduce costs. We have made significant cuts in administrative overhead at the home office and in the field. We believe these cuts will result in savings of over $40 million as compared to the prior year. In connection with these cuts, we incurred restructuring charges of $5.6 million during the nine months ended June 30, 2002.

We expect to generate cash flow from operations. Our cash flows from operations tend to track with the seasonality of our business and historically have improved in the latter part of our fiscal year. We anticipate that our cash flow from operations 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. Additionally, we expect to generate enough cash flow from operations to repay any borrowings under our credit facility. Our ability to generate cash flow from operations is dependent on many factors, including demand for our products and services, the availability of work at margins acceptable to us and the ultimate collectibility of our receivables.

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 for 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.

NEW ACCOUNTING PRONOUNCEMENTS

Effective October 1, 2001, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS No. 142, all goodwill amortization ceased effective October 1, 2001. Goodwill amortization for the three and nine months ended June 30, 2002 would have otherwise been $3.2 million and $9.7 million, respectively. Material amounts of recorded goodwill attributable to each of our reporting units were tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value was determined using discounted cash flows, market multiples and market capitalization. These impairment tests are required to be performed at adoption of SFAS No. 142 and at least annually thereafter. Significant estimates used in the methodologies include estimates of future cash flows, future short term and long term growth rates, weighted average cost of capital and estimates of market multiples for each of the reportable units. On an ongoing basis (absent any impairment indicators), we expect to perform our impairment tests during our first fiscal quarter following our annual budgeting process.

Based on initial impairment tests performed upon adoption of SFAS No. 142, we recognized a charge of $283.3 million ($7.13 per share) in the first quarter of 2002 to reduce the carrying value of goodwill of our reporting units to their implied fair value. This impairment is a result of adopting a fair value approach, under SFAS No. 142, to testing impairment of goodwill as compared to the previous method utilized in which we made evaluations of goodwill impairment by using the estimated future undiscounted cash flows to the asset's carrying amount. Under SFAS No. 142, the impairment adjustment recognized at adoption of the new rules was reflected as a cumulative effect of change in accounting principle in our first quarter 2002 income statement. Impairment adjustments recognized after adoption, if any, generally are required to be recognized as operating expenses.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. We are in the process of assessing the impact that the adoption of this standard will have on our financial position and results of operations.

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 from commodity price risk or foreign currency exchange risk. Our exposure to significant market risks include outstanding borrowings under our floating rate credit facility and interest rate risks resulting from the use of an interest rate swap contract that we entered into in February 2002. Management does not use derivative financial instruments for trading purposes or to speculate on changes in interest rates or commodity prices.

As a result, our exposure to changes in interest rates results from our short-term and long-term debt with both fixed and floating interest rates. The following table presents principal or notional amounts (stated in thousands) and related interest rates by year of maturity for our debt obligations and their indicated fair market value at June 30, 2002:

	2002	2003	2004	2005	2006	THEREAFTER	TOTAL
Liabilities -Debt: Fixed Rate (senior subordinated notes)	$ --	$ --	$ --	$ --	$ --	$ 275,000	$ 275,000
Interest Rate	9.375%	9.375%	9.375%	9.375%	9.375%	9.375%	9.375%
Fair Value of Debt: Fixed Rate							$ 258,500
Interest Rate Swap: Pay variable/receive fixed	$ --	$ --	$ --	$ --	$ --	$ 100,000	$ 100,000
Average rate paid (3-Month Trailing LIBOR plus 3.86%)	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%
Fixed rate received	9.375%	9.375%	9.375%	9.375%	9.375%	9.375%	9.375%
Fair Value of Interest Rate Swap:							$ 1,603

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. EXHIBITS

10.1	Form of Employment Agreement between the Company and H. Roddy Allen dated May 22, 1998 as Amended March 11, 2002.
10.2	Amendment No. 4 dated July 12, 2002, to the Credit Agreement dated May 22, 2001, among the Company, as borrower, the Financial Institutions named therein, as banks, Credit Lyonnais and the Bank of Nova Scotia as syndication agents, Toronto Dominion (Texas) Inc. as documentation agent and the Chase Manhattan Bank, as administrative agent.

B. REPORTS ON FORM 8-K

A report on Form 8-K was filed with the SEC on June 10, 2002 in connection with a change in the registrant's certifying accountant.

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: July 30, 2002

By: /s/ William W. Reynolds

William W. Reynolds
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

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EXHIBIT 10.1

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") by and between H.R. Allen, Inc. (the "Company"), a South Carolina corporation and a wholly owned subsidiary of Integrated Electrical Services, Inc., a Delaware corporation ("IES"), and H.R. Allen ("Executive") is hereby entered into effective as of this 22nd day of May, 1998 (the "Effective Date").

RECITALS

The following statements are true and correct:

As of the Effective Date, the Company, IES and the other subsidiaries of IES (collectively, the "IES Companies") are engaged primarily in the providing of electrical contracting services.

Executive is employed hereunder by the Company in a confidential relationship wherein Executive, in the course of his employment with the Company, has and will continue to become familiar with and aware of information as to the Company's and IES' customers and specific manner of doing business, including the processes, techniques and trade secrets utilized by the Company and IES, and future plans with respect thereto, all of which has been and will be established and maintained at great expense to the Company and IES. This information is a trade secret and constitutes the valuable goodwill of the Company and IES.

Therefore, in consideration of the mutual promises, terms, covenants and conditions set forth herein and the performance of each, it is hereby agreed as follows:

AGREEMENTS

1. Employment and Duties.

(a) The Company hereby employs Executive as President of the Company. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of and consistent with Executive's position as President of the Company and will report directly to the Chief Operating Officer-Commercial of IES. Executive hereby accepts this employment upon the terms and conditions herein contained and, subject to paragraph 1(c), agrees to devote substantially all of his time, attention and efforts to promote and further the business and interests of the Company and its affiliates.

(b) Executive shall faithfully adhere to, execute and fulfill all lawful policies established by the Company.

(c) Except as set forth on Schedule 1(c) hereto, Executive shall not, during the term of his employment hereunder, engage in any other business activity pursued for gain, profit or other pecuniary advantage if such activity interferes in any material respect with Executive's duties and responsibilities hereunder. The foregoing limitations shall not be construed as prohibiting Executive from making personal investments in such form or manner as will neither require his services in the operation or affairs of the companies or enterprises in which such investments are made nor violate the terms of paragraph 3 hereof.

(d) Executive shall be entitled to vacation in accordance with the policies of the Company.

2. Compensation. For all services rendered by Executive, the Company shall compensate Executive as follows:

(a) Base Salary. The base salary payable to Executive during the term shall be $150,000.00 per year, payable in accordance with the Company's payroll procedures for officers, but not less frequently than monthly. Such base salary may be increased from time to time, at the discretion of the Board of Directors of IES (the "IES Board"), in light of the Executive's position, responsibilities and performance.

(b) Executive Perquisites, Benefits and Other Compensation. Executive shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Reimbursement for all business travel and other out-of-pocket expenses (including those costs to maintain any professional certifications held or obtained by Executive) reasonably incurred by Executive in the performance of his duties pursuant to this Agreement and in accordance with the Company's policy for executives of the Company. All such expenses shall be appropriately documented in reasonable detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(ii) Executive shall, subject to the satisfaction of any general eligible criteria, be eligible to participate in all compensation and benefit plans and programs as are maintained from time to time for executives of the Company.

(iii) The Company shall provide Executive with such other perquisites as may be deemed appropriate for Executive by the IES Board.

3. Non-Competition Agreement.

(a) Executive recognizes that the Company's willingness to enter into this Agreement is based in material part on Executive's agreement to the provisions of this paragraph 3 and that Executive's breach of the provisions of this paragraph 3 could materially damage the Company. Subject to the further provisions of this Agreement, Executive will not, during the term of his employment with the Company, and for a period of two years immediately following the termination of such for any reason whatsoever, either for Cause or in the event the Executive terminates his employment without Good Reason, except as may be set forth herein, directly or indirectly, for himself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any electrical contracting business in direct competition with any IES Company within 100 miles of where any IES Company conducts business, including any territory serviced by an IES Company during the term of Executive's employment (the "Territory");

(ii) call upon any person who is, at that time, an employee of an IES Company for the purpose or with the intent of enticing such employee away from or out of the employ of the IES Company;

(iii) call upon any person or entity which is, at that time, or which has been, within one year prior to that time, a customer of an IES Company within the Territory for the purpose of soliciting or selling electrical contracting products or services in direct competition with the IES Companies within the Territory; or

(iv) call upon any prospective acquisition candidate, on Executive's own behalf or on behalf of any competitor, which candidate was, to Executive's knowledge after due inquiry, either called upon by an IES Company or for which an IES Company made an acquisition analysis, for the purpose of acquiring such entity.

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than 1% of the capital stock of a competing business, whose stock is traded on a national securities exchange, the Nasdaq Stock Market or on an over-the-counter or similar market, unless the Board of Directors of the Company consents to such acquisition.

(b) Because of the difficulty of measuring economic losses to the Company and IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to the Company and IES for which they would have no other adequate remedy, Executive agrees that foregoing covenant may be enforced by the Company, in the event of breach by him, by injunctions and restraining orders. Executive further agrees to waive any requirement for the Company's securing or posting of any bond in connection with such remedies.

(c) It is agreed by the parties that the foregoing covenants in this paragraph 3 impose a reasonable restraint on Executive in light of the activities and business of the IES Companies on the date of the execution of this Agreement and the current plans of the IES Companies; but it is also the intent of the Company and Executive that such covenants be construed and enforced in accordance with the changing activities, business and locations of the IES Companies throughout the term of this covenant, whether before or after the date of termination of the employment of Executive, unless the Executive was conducting such new business prior to any IES Company conducting such new business. For example, if, during the term of this Agreement, an IES Company engages in new and different activities, enters a new business or establishes new locations for its current activities or business in addition to or other than the activities or business enumerated under the Recitals above or the locations currently established therefor, then Executive will be precluded from soliciting the customers or employees of such new activities or business or from such new location and from directly competing with such new business within 100 miles of its then-established operating location(s) through the term of this covenant, unless the Executive was conducting such new business prior to any IES Company conducting such new business.

(d) It is further agreed by the parties hereto that, in the event that Executive shall cease to be employed hereunder and shall enter into a business or pursue other activities not in competition with the electrical contracting activities of the IES Companies or similar activities or business in locations the operation of which, under such circumstances, does not violate clause (a)(i) of this paragraph 3, and in any event such new business, activities or location are not in violation of this paragraph 3 or of Executive's obligations under this paragraph 3, if any, Executive shall not be chargeable with a violation of this paragraph 3 if the IES Companies shall thereafter enter the same, similar or a competitive (i) business, (ii) course of activities or (iii) location, as applicable.

(e) The covenants in this paragraph 3 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

(f) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company or IES, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES or the Company of such covenants. It is specifically agreed that the period of two years (subject to the further provisions of this Agreement) following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

(g) The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

4. Term; Termination; Rights on Termination. The term of this Agreement shall begin on the Effective Date and continue for three years (the "Initial Term") and, unless terminated sooner as herein provided, shall continue on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal (the "Extended Term"). This Agreement and Executive's employment may be terminated in any one of the followings ways:

(a) Death. The death of Executive shall immediately terminate this Agreement with no severance compensation due to Executive's estate.

(b) Disability. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his full-time duties hereunder for four consecutive months, then 30 days after receiving written notice (which notice may occur before or after the end of such four-month period, but which shall not be effective earlier than the last day of such four-month period), the Company may terminate Executive's employment hereunder, provided that Executive is unable to resume his full-time duties at the conclusion of such notice period. Also, Executive may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health, provided that Executive shall have furnished the Company with a written statement from a doctor reasonably acceptable to the Company to such effect and provided, further, that, at the Company's request made within 30 days of the date of such written statement, Executive shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Executive or Executive's doctor and such second doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from the Company, in a lump sum payment due within 10 days of the effective date of termination, the base salary at the rate then in effect (i) during the Initial Term, for whatever time period, if any, is remaining under the Initial Term, provided that such period shall not be less than one year, and (ii) during the Extended Term, equivalent to one year of base salary.

(c) Cause. The Company may terminate this Agreement and Executive's employment 10 days after written notice to Executive for "Cause", which shall be: (1) Executive's willful, material and irreparable breach of this Agreement (which remains uncured 5 days after delivery of written notice); (2) Executive's gross negligence in the performance or intentional nonperformance (in either case continuing for 10 days after receipt of written notice of need to cure) of any of Executive's material duties and responsibilities hereunder; (3) Executive's dishonesty or fraud with respect to the business, reputation or affairs of the Company or IES which materially and adversely affects the Company or IES (monetarily or otherwise); (4) Executive's conviction of a felony crime or crime involving moral turpitude; (5) Executive's drug or alcohol abuse; or (6) Executive's violation of Company policy (which remains uncured or continues 5 days after delivery of written notice). In the event of a termination for Cause, Executive shall have no right to any severance compensation.

(d) Without Cause. Executive may, without Good Reason (as hereinafter defined) terminate this Agreement and Executive's employment, effective 30 days after written notice is provided to the Company. Executive may be terminated without Cause by the Company during either the Initial Term or Extended Term. Should Executive be terminated by the Company without Cause or should Executive terminate with Good Reason during the Initial Term, Executive shall receive from the Company, in a lump sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term or the Extended Term, as applicable, or for one year, whichever amount is less. Further, any termination without Cause by the Company or by Executive for Good Reason shall operate to eliminate the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply. If Executive resigns or otherwise terminates his employment without Good Reason, rather than the Company terminating his employment pursuant to this paragraph 4(d), Executive shall receive no severance compensation.

Executive shall have "Good Reason" to terminate his employment hereunder upon the occurrence of any of the following events, unless such event is agreed to in writing by Executive: (a) Executive is demoted by means of a material reduction in authority, responsibilities or duties to a position of less stature or importance within the Company than the position described in Section 1 hereof; (b) Executive's annual base salary as then in effect is reduced; or (c) the relocation of the Company's principal executive offices to a location outside the greater Charleston, South Carolina area or the Company's requiring Executive to relocate anywhere other than the Company's principal executive offices.

If termination of Executive's employment arises out of the Company's failure to pay Executive on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent jurisdiction or pursuant to the provisions of paragraph 18 below, the Company shall pay all amounts and damages to which Executive may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by

Executive to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

Upon termination of this Agreement for any reason provided above, in addition to the above payments, if any, Executive shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination, paid to Executive in a lump sum on the effective date. All other rights and obligations of the Company and Executive under this Agreement shall cease as of the effective date of termination, except that the Executive's obligations under paragraphs 3, 5, 6, 7, and 8 herein shall survive such termination in accordance with their terms.

5. Return of Company Property. All records, designs, patents, business plans, financial statements, manuals, memoranda, lists and other property delivered to or compiled by Executive by or on behalf of the Company, IES or any IES Companies or their representatives, vendors or customers which pertain to the business of the Company or IES or any IES Companies shall be and remain the property of the Company or IES or the IES Company, as the case may be, and be subject at all times to their discretion and control. Likewise, all correspondence, reports, records, charts, advertising materials and other similar data pertaining to the business, activities or future plans of the Company or IES or the IES Company which is collected by Executive shall be delivered promptly to the Company without request by it upon termination of Executive's employment.

6. Inventions. Executive shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one year thereafter, if conceived during employment, and which are directly related to the business or activities of the Company and which Executive conceives as a result of his employment by the Company. Executive hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Executive shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

7. Trade Secrets. Executive agrees that he will not, during or after the term of this Agreement, disclose the specific terms of the Company's or IES' relationships or agreements with their respective significant vendors or customers or any other significant and material trade secret of the Company or IES, whether in existence or proposed, to any person, firm, partnership, corporation or business for any reason or purpose whatsoever.

8. Confidentiality.

(a) Executive acknowledges and agrees that all Confidential Information (as defined below) of the Company is confidential and a valuable, special and unique asset of the Company that gives the Company an advantage over its actual and potential, current and future competitors. Executive further acknowledges and agrees that Executive owes the Company a fiduciary duty to preserve and protect all Confidential Information from unauthorized disclosure or unauthorized use, that certain Confidential Information constitutes "trade secrets" under applicable laws and, that unauthorized disclosure or unauthorized use of the Company's Confidential Information would irreparably injure the Company.

(b) Both during the term of Executive's employment and after the termination of Executive's employment for any reason (including wrongful termination), Executive shall hold all Confidential Information in strict confidence, and shall not use any Confidential Information except for the benefit of the Company, in accordance with the duties assigned to Executive. Executive shall not, at any time (either during or after the term of Executive's employment), disclose any Confidential Information to any person or entity (except other employees of the Company who have a need to know the information in connection with the performance of their employment duties), or copy, reproduce, modify, decompile or reverse engineer any Confidential Information, or remove any Confidential Information from the Company's premises, without the prior written consent of the President of the Company, or permit any other person to do so. Executive shall take reasonable precautions to protect the physical security of all documents and other material containing Confidential Information (regardless of the medium on which the Confidential Information is stored). This Agreement applies to all Confidential Information, whether now known or later to become known to Executive.

(c) Upon the termination of Executive's employment with the Company for any reason, and upon request of the Company at any other time, Executive shall promptly surrender and deliver to the Company all documents and other written material of any nature containing or pertaining to any Confidential Information and shall not retain any such document or other material. Within five days of any such request, Executive shall certify to the Company in writing that all such materials have been returned.

(d) As used in this Agreement, the term "Confidential Information" shall mean any information or material known to or used by or for the Company (whether or not owned or developed by the Company and whether or not developed by Executive) that is not generally known to persons in the electrical contracting business. Confidential information includes, but is not limited to, the following: all trade secrets of the Company; all information that the Company has marked as confidential or has otherwise described to Executive (either in writing or orally) as confidential; all nonpublic information concerning the Company's products, services, prospective products or services, research, product designs, prices, discounts, costs, marketing plans, marketing techniques, market studies, test data, customers, customer lists and records, suppliers and contracts; all Company business records and plans; all Company personnel files; all financial information of or concerning the Company; all information relating to operating system software, application software, software and system methodology, hardware platforms, technical information, inventions, computer programs and listings, source codes, object codes, copyrights and other intellectual property; all technical specifications; any proprietary information belonging to the Company; all computer hardware or software manual; all training or instruction manuals; and all data and all computer system passwords and user codes.

9. No Prior Agreements. Executive hereby represents and warrants to the Company that the execution of this Agreement by Executive and his employment by the Company and the performance of his duties hereunder will not violate or be a breach of any agreement with a former employer, client or any other person or entity. Further, Executive agrees to indemnify the Company for any claim, including, but not limited to, reasonable attorneys' fees and expenses of investigation, by any such third party that such third party may now have or may hereafter come to have against the Company based upon or arising out of any non-competition agreement, invention or secrecy agreement between Executive and such third party which was in existence as of the date of this Agreement.

10. Assignment; Binding Effect. Executive understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Executive agrees, therefore, that he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

11. Release. Notwithstanding anything in this Agreement to the contrary, Executive shall not be entitled to receive any payments pursuant to this Agreement unless Executive has executed (and not revoked) a general release of all claims Executive may have against the Company and its affiliates in a form of such release reasonably acceptable to the Company.

12. Complete Agreement. Executive has no oral representations, understandings or agreements with the Company, IES or any of their officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company, IES and Executive and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed by a duly authorized officer of the Company and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term. Without limiting the generality of the foregoing, either party's failure to insist on strict compliance with this Agreement shall not be deemed a waiver thereof.

13. Notice. Whenever any notice is required hereunder, it shall be given in writing addressed as follows:

To the Company:	H.R. Allen, Inc. Attn: H.R. Allen 2675 Rourk Street Charleston, SC 29405
with a copy to:	Law Department Integrated Electrical Services, Inc. 515 Post Oak Blvd., suite 450 Houston, TX 77027
To Executive:	H.R. Allen 6 Bristol Circle Charleston, SC 29407

Notice shall be deemed given and effective on the earlier of three days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 13.

14. Severability; Headings. If any portion of this Agreement is held invalid or inoperative, the other portions of this Agreement shall be deemed valid and operative and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion held invalid or inoperative. The paragraph headings herein are for reference purposes only and are not intended in any way to describe, interpret, define or limit the extent or intent of the Agreement or of any part hereof.

15. Dispute Resolutions. Except with respect to injunctive relief as provided in paragraph 3(b), neither party shall institute a proceeding in any court or administrative agency to resolve a dispute between the parties before that party has sought to resolve the dispute through direct negotiation with the other party. If the dispute is not resolved within two weeks after a demand for direct negotiation, the parties shall attempt to resolve the dispute through mediation. If the parties do not promptly agree on a mediator, the parties shall request the Association of Attorney Mediators in Harris County, Texas to appoint a mediator certified by the Supreme Court of Texas. If the mediator is unable to facilitate a settlement of the dispute within a reasonable period of time, as determined by the mediator, the mediator shall issue a written statement to the parties to that effect and any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in Houston, Texas, in accordance with the rules of the American Arbitration Association then in effect. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Executive was terminated without disability or Cause, as defined in paragraphs 4(b) and 4(c), respectively, or that the Company has otherwise

materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The costs and expenses, including reasonable attorneys' fees, of the prevailing party in any dispute arising under this Agreement will be promptly paid by the other party.

16. Governing Law. This Agreement shall in all respects be construed according to the laws of the State of Texas without regard to its conflicts of law provisions.

17. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective for all purposes as of the Effective Date.

By: ______________________________________

Name: ____________________________________

Title: ___________________________________

EXECUTIVE

____

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment (the "Amendment") to that certain Employment Agreement (the "Agreement") by and between H. R. Allen, Inc. (the "Company"), a South Carolina corporation and a wholly owned subsidiary of Integrated Electrical Services, Inc., a Delaware corporation ("IES"), and H. R. Allen ("Executive") entered into effective as of May 22, 1998, is hereby entered into this 11th day of March, 2002.

RECITALS:

WHEREAS, BY THE AGREEMENT THE COMPANY AND EXECUTIVE PREVIOUSLY ENTERED INTO AN EMPLOYMENT AGREEMENT; AND

WHEREAS, the parties to the Agreement deem it desirable to amend the Agreement to provide additional provisions, amend existing provisions and include IES as a party to the Agreement;

NOW, THEREFORE, in consideration of the mutual promises, terms, covenants and conditions set forth herein and the performance of each of them, the Agreement is hereby amended as follows:

1. Paragraph 2. Compensation, shall be amended by deleting the base salary amount described in (a) and inserting the amount of $380,000 in its stead.

2. The last paragraph of paragraph 4. Term, Termination; Rights on Termination, shall be amended to read as follows:

> "Executive shall have "Good Reason" to terminate his employment hereunder upon the occurrence of any of the following events, unless such event is agreed to in writing by Executive: (a) Executive is demoted by means of a material reduction in authority, responsibilities or duties to a position of less stature or importance within the Company than the position described in Section 1 hereof; (b) Executive's annual base salary as then in effect is reduced; or (c) the relocation of IES' principal executive offices to a location outside the greater Houston, Texas area or the Company's requiring Executive to work anywhere other than IES' principal executive offices or the greater Charleston, South Carolina area."

3. A new paragraph 18. Change in Control, shall be added that reads:

> "For purposes of this paragraph 18, the term "the Company" shall mean IES. If, on or within two years following the effective date of a Change in Control (as defined below), the

Company terminates Executive's employment other than for Cause or Executive terminates his employment for Good Reason, or if Executive's employment with the Company is terminated by the Company within three months before the effective date of a Change in Control and it is reasonably demonstrated that such termination (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change in Control, or (ii) otherwise arose in connection with or anticipation of a Change in Control, then Executive shall receive from Company, in a lump sum payment due on the effective date of termination, in lieu of any other payments pursuant to this Agreement, (i) the equivalent of three years' base salary at the rate then in effect, plus three times annual bonus at the then current percentage applicable to Executive determined at 100% payout, and (ii) three years' coverage under the Company's medical benefit plan on a tax-neutral basis.

(a) A "Change in Control" shall be deemed to have occurred if:

(i) any person, entity or group (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act"), other than the IES Companies or an employee benefit plan of the IES Companies, acquires, directly or indirectly, the beneficial ownership (as defined in Section 13(d) of the Act) of any voting security of the Company and immediately after such acquisition such person is, directly or indirectly, the beneficial owner of voting securities representing 20% or more of the total voting power of all of the then outstanding voting securities of the Company entitled to vote generally in the election of directors;

(ii) upon the first purchase of the Company's common stock pursuant to a tender or exchange offer (other than a tender or exchange offer made by the Company);

(iii) the stockholders of the Company shall approve a merger, consolidation, recapitalization or reorganization of the Company, or a reverse stock split of outstanding voting securities, or consummation of any such transaction if stockholder approval is not obtained, other than any such transaction which would result in at least 75% of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction being beneficially owned by the holders of all of the outstanding voting securities of the Company immediately prior to the transactions with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction;

(iv) the stockholders of the Company shall approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) if, at any time during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election or nomination for the election by the Company's stockholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

(b) Notwithstanding anything in this Agreement to the contrary, a termination pursuant to this paragraph shall operate to automatically waive in full the noncompetition restrictions imposed on Executive pursuant to paragraph 3(a).

(c) If it shall be finally determined that any payment made or benefit provided to Executive in connection with a Change in Control of the Company, whether or not made or provided pursuant to this Agreement, is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any successor thereto, the Company shall pay Executive an amount of cash (the "Additional Amount") such that the net amount received by Executive after paying all applicable taxes on such Additional Amount shall be equal to the amount that Executive would have received if Section 4999 were not applicable."

4. All other terms and conditions shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment effective for all purposes as of the date set forth above.

H. R. ALLEN, INC.

By: ---------------------------------------

INTEGRATED ELECTRICAL SERVICES, INC.

By: ---------------------------------------

Name: ------------------------------------

Title: -----------------------------------

EXECUTIVE

H. R. Allen

EXHIBIT 10.2

FOURTH AMENDMENT

FOURTH AMENDMENT (this "Amendment"), dated as of July 12, 2002, to the Credit Agreement, dated as of May 22, 2001 (as further amended, supplemented or modified from time to time, the "Credit Agreement"), among Integrated Electrical Services, Inc., a Delaware corporation (the "Borrower"), certain financial institutions which are or may become parties thereto (the "Banks"), Credit Lyonnais and The Bank of Nova Scotia, as syndications agents, Toronto Dominion (Texas), Inc., as documentation agent, and JPMorgan Chase Bank, as administrative agent (in such capacity, the "Administrative Agent").

WITNESSETH:

WHEREAS, pursuant to the Credit Agreement, the Banks have agreed to make, and have made, certain loans and other extensions of credit to the Borrower;

WHEREAS, the Borrower has requested that the Administrative Agent and the Banks amend a certain provision of the Credit Agreement; and

WHEREAS, the Administrative Agent and the Banks are willing to agree to the requested amendment on the terms and conditions contained herein;

NOW, THEREFORE, the parties hereto hereby agree as follows:

I. Defined Terms. Terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement, as amended hereby.

II. Amendment to the Credit Agreement. The definition of "Letter of Credit Sublimit" set forth in Section 1.1 of the Credit Agreement is hereby amended to read in its entirety as follows:

"Letter of Credit Sublimit" means $50,000,000.

III. Consent to Certain Sales. The Banks hereby consent to the sale of the assets of Tesla Power and Automation, L.P. and Tesla Power Properties, L.P. and the sale of the stock of Muth Electric, Inc. and Midlands Electrical Contractors, Inc., in each case substantially in accordance with the written disclosure of the terms and conditions for such sales delivered to the Banks prior to the execution of this Amendment. Such sales shall be in addition to the $5,000,000 annual basket for sales provided in Section 5.9(iii) of the Credit Agreement. Upon the closing of the sale of the assets of Tesla Power and Automation, L.P. and Tesla Power Properties, L.P., Administrative Agent is authorized to execute and deliver releases of liens or security interests covering the assets so sold and upon the closing of the sale of the stock of Muth Electric, Inc. and Midlands Electrical Contractors, Inc., Administrative Agent is authorized to execute and deliver releases of Muth Electric, Inc. and Midlands Electrical Contractors, Inc. from any liabilities and obligations under the Guaranty and to execute and deliver releases of liens or security interests covering assets owned by Muth Electric, Inc. and Midlands Electrical Contractors, Inc.

IV. Conditions to Effectiveness. This Amendment shall become effective on the date on which this Amendment shall have been executed by the Borrower, the Administrative Agent and the Banks.

V. General.

1. Representations and Warranties. The Borrower represents and warrants that the representations and warranties made by the Borrower in the Credit Documents are true and correct in all material respects on and as of the date hereof, after giving effect to the effectiveness of this Amendment, as if made on and as of the date hereof, and no Default or Event of Default has occurred and is continuing.

2. Payment of Expenses. The Borrower agrees to pay or reimburse the Administrative Agent for all of its out-of-pocket costs and reasonable expenses incurred in connection with this Amendment, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

3. No Other Amendments. This Amendment shall not be construed as a waiver or consent to any further or future action on the part of the Borrower that would require a waiver or consent of the Administrative Agent and/or the Banks. Except as expressly amended hereby, the provisions of the Credit Agreement are and shall remain in full force and effect.

4. Governing Law; Counterparts.

(a) This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

(b) This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Amendment may be delivered by facsimile transmission of the relevant signature pages hereof.

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

INTEGRATED ELECTRICAL SERVICES, INC.

By: ______________________________________

Name: ____________________________________

Title ____________________________________

JPMORGAN CHASE BANK,
as Administrative Agent and as a Bank

By:

Name:

Title

CREDIT LYONNAIS, NEW YORK BRANCH,
as Syndication Agent and as a Bank

By: ------------------------------------

Name: ------------------------------------

Title ------------------------------------

THE BANK OF NOVA SCOTIA,
as Syndication Agent and as a Bank

By:

Name:

Title

TORONTO DOMINION (TEXAS), INC.,
as Documentation Agent and as a Bank

By:

Name:

Title

BANK OF SCOTLAND

By: ------------------------------------

Name: ----------------------------------

Title ----------------------------------

FIRST BANK & TRUST

By:

Name:

Title

U. S. BANK NATIONAL ASSOCIATION
(formerly known as FIRSTAR BANK, N.A.)

By:

Gregory L. Dryden, Vice President

RZB FINANCE LLC

By:

Name:

Title

SOUTHWEST BANK OF TEXAS, N.A.

By:

Name:

Title

The undersigned hereby join in this Amendment to evidence their consent to execution by Borrower of this Amendment, to confirm that each Credit Document now or previously executed by the undersigned applies and shall continue to apply to the Credit Agreement, as amended hereby, and to acknowledge that without such consent and confirmation, the Banks would not execute this Amendment.

1ST GROUP TELECOMMUNICATIONS, INC.
ACE ELECTRIC, INC.
ALADDIN WARD ELECTRIC & AIR, INC.
AMBER ELECTRIC, INC.
ANDERSON & WOOD CONSTRUCTION CO., INC.
ARC ELECTRIC, INCORPORATED
BACHOFNER ELECTRIC, INC.
BEAR ACQUISITION CORPORATION
BRINK ELECTRIC CONSTRUCTION CO.
BRITT RICE ELECTRIC, INC.
BRITT RICE MANAGEMENT LLC
BRYANT ELECTRIC COMPANY, INC.
BW CONSOLIDATED, INC.
BW/BEC, INC.
CANOVA ELECTRICAL CONTRACTING, INC.
CARROLL MANAGEMENT LLC
CARROLL SYSTEMS, INC.
CHARLES P. BAGBY COMPANY, INC.
COLLIER ELECTRIC COMPANY, INC.
COMMERCIAL ELECTRICAL CONTRACTORS, INC.
CROSS STATE ELECTRIC, INC.
CYPRESS ELECTRICAL CONTRACTORS, INC.
DANIEL ELECTRICAL CONTRACTORS, INC.
DANIEL ELECTRICAL OF TREASURE COAST INC.
DANIEL INTEGRATED TECHNOLOGIES, INC.
DAVIS ELECTRICAL CONSTRUCTORS, INC.
DELCO ELECTRIC, INC.
ELECTRO-TECH, INC.
EMC ACQUISITION CORPORATION
ERNEST P. BREAUX ELECTRICAL, INC.
FEDERAL COMMUNICATIONS GROUP, INC.
FLORIDA INDUSTRIAL ELECTRIC, INC.
GENERAL PARTNER, INC.
GOSS ELECTRIC COMPANY, INC.
H.R. ALLEN, INC.
HATFIELD REYNOLDS ELECTRIC COMPANY

HOLLAND ELECTRICAL SYSTEMS, INC.
HOUSTON-STAFFORD ELECTRIC, INC.
HOUSTON-STAFFORD MANAGEMENT LLC
HOWARD BROTHERS ELECTRIC CO., INC.
IES COMMUNICATIONS, INC.
IES CONTRACTORS MANAGEMENT LLC
IES ELECTRICAL GROUP, INC.
IES PROPERTIES MANAGEMENT, INC.
IES PROPERTIES, INC.
IES RESIDENTIAL GROUP, INC.
IES SPECIALTY LIGHTING, INC.
IES VENTURES INC.
INTEGRATED ELECTRICAL FINANCE, INC.
INTELLIGENT BUILDING SOLUTIONS, INC.
J.W. GRAY ELECTRIC CO., INC.
J.W. GRAY MANAGEMENT LLC
KAYTON ELECTRIC, INC.
KEY ELECTRICAL SUPPLY, INC.
LINEMEN, INC.
MARK HENDERSON, INCORPORATED
MENNINGA ELECTRIC, INC.
MIDLANDS ELECTRICAL CONTRACTORS, INC.
MID-STATES ELECTRIC COMPANY, INC.
MILLS ELECTRICAL CONTRACTORS, INC.
MILLS MANAGEMENT LLC
MITCHELL ELECTRIC COMPANY, INC.
M-S SYSTEMS, INC.
MURRAY ELECTRICAL CONTRACTORS, INC.
MUTH ELECTRIC, INC.
NEAL ELECTRIC MANAGEMENT LLC
NEW TECHNOLOGY ELECTRICAL CONTRACTORS, INC.
NEWCOMB ELECTRIC COMPANY, INC.
PAN AMERICAN ELECTRIC COMPANY, INC.
PAN AMERICAN ELECTRIC, INC.
PAULIN ELECTRIC COMPANY, INC.
POLLOCK ELECTRIC INC.
PRIMENET, INC.
PRIMO ELECTRIC COMPANY
RAINES ELECTRIC CO., INC.
RAINES MANAGEMENT LLC
RKT ELECTRIC, INC.
ROCKWELL ELECTRIC, INC.
RODGERS ELECTRIC COMPANY, INC.
RON'S ELECTRIC, INC.

SPECTROL, INC.
SEI ELECTRICAL CONTRACTOR, INC.
SUMMIT ELECTRIC OF TEXAS, INC.
T&H ELECTRICAL CORPORATION
TECH ELECTRIC CO., INC.
TESLA POWER G.P., INC.
THOMAS POPP & COMPANY
VALENTINE ELECTRICAL, INC.
WOLFE ELECTRIC CO., INC.
WRIGHT ELECTRICAL CONTRACTING, INC.

By:

William Reynolds, Chief Financial Officer

BRITT RICE HOLDINGS LLC
BW/BEC, L.L.C.
CARROLL HOLDINGS LLC
DKD ELECTRIC COMPANY, INC.
HOUSTON-STAFFORD HOLDINGS LLC
ICS HOLDINGS LLC
IES CONTRACTORS HOLDINGS LLC
IES HOLDINGS LLC
J.W. GRAY HOLDINGS LLC
MILLS ELECTRICAL HOLDINGS LLC
NBH HOLDING CO., INC.
POLLOCK SUMMIT HOLDINGS INC.
RAINES HOLDINGS LLC
TESLA POWER (NEVADA), INC.

By:

Adrianne M. Horne, President

IES REINSURANCE, LTD.

By:

David Miller, Vice President

IES PROPERTIES HOLDINGS, INC.

By:

Victoria Garrett, President

B. RICE ELECTRIC LP
BEXAR ELECTRIC COMPANY, LTD.
CARROLL SYSTEMS LP
HAYMAKER ELECTRIC, LTD.
HOUSTON-STAFFORD ELECTRICAL
CONTRACTORS LP
ICS INTEGRATED COMMUNICATION
SERVICES LP
IES CONTRACTORS LP
IES MANAGEMENT LP
IES PROPERTIES LP
J.W. GRAY ELECTRICAL CONTRACTORS LP
MILLS ELECTRIC LP
NEAL ELECTRIC LP
POLLOCK SUMMIT ELECTRIC LP
RAINES ELECTRIC LP
TESLA POWER AND AUTOMATION, L.P.
TESLA POWER PROPERTIES, L.P.

By: ITS GENERAL PARTNER

By:

William Reynolds,
Chief Financial Officer