

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

INTEGRATED ELECTRICAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

1731
(Primary Standard Industrial
Classification Code Number)

76-0542208
(I.R.S. Employer
Identification No.)

2301 PRESTON
HOUSTON, TEXAS 77003
(713) 222-1875
(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

JIM P. WISE
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
2301 PRESTON
HOUSTON, TEXAS 77003
(713) 222-1875
(Name, address, including zip code, and telephone
number, including area code, of agent for service)

copy to:

JOHN F. WOMBWELL
MELINDA H. BRUNGER
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4200 TEXAS COMMERCE TOWER
HOUSTON, TEXAS 77002
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2300 FIRST CITY TOWER
HOUSTON, TEXAS 77002
(713) 758-2222

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as
practicable after the Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box. []

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following box
and list the Securities Act registration statement number of the earlier
effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box. []

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, \$.01 par value.....	\$120,750,000	\$36,591

(1) Estimated solely for purposes of calculating the registration fee pursuant
to Rule 457(o).

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR
DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL
FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION
STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF
THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME
EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A),
MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED OCTOBER 24, 1997

PROSPECTUS

7,000,000 SHARES

INTEGRATED ELECTRICAL SERVICES, INC.
[LOGO]

COMMON STOCK

All of the shares of Common Stock, \$.01 par value per share (the "Common Stock"), offered hereby (the "Offering") are being offered by Integrated Electrical Services, Inc. (the "Company").

Prior to the Offering, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price will be between \$ and \$ per share. See "Underwriting" for information relating to the factors to be considered in determining the initial public offering price. Shares of Common Stock are being reserved for sale to certain employees, directors and business associates of, and certain other persons designated by, the Company, at the initial public offering price. Such employees, directors, and other persons are expected to purchase, in the aggregate, not more than 10% of the Common Stock offered in the Offering. See "Underwriting."

The Company intends to make application to list the Common Stock on The New York Stock Exchange ("NYSE") under the symbol "IEE."

SEE "RISK FACTORS" BEGINNING ON PAGE 9 FOR A DISCUSSION OF CERTAIN MATTERS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE SECURITIES OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO COMPANY(2)
Per Share.....	\$	\$	\$
Total(3).....	\$	\$	\$

- (1) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). See "Underwriting."
- (2) Before deducting expenses payable by the Company estimated at \$.
- (3) The Company has granted to the several Underwriters an option, exercisable within 30 days after the date hereof, to purchase up to 1,050,000 additional shares of Common Stock solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discount and Proceeds to Company will be \$, \$ and \$, respectively. See "Underwriting."

The shares of Common Stock offered hereby are offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by the Underwriters against payment therefor, subject to certain conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the share certificates representing the Common Stock will be made in New York, New York on or about , 1997.

MERRILL LYNCH & CO.
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
EQUITABLE SECURITIES CORPORATION
SANDERS MORRIS MUNDY

The date of this Prospectus is

, 1997.

[MAP OF LOCATIONS AND OTHER GRAPHICS]

Certain persons participating in the Offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Such transactions may include stabilizing, the purchase of Common Stock to cover syndicate short positions and the imposition of penalty bids. For a description of these activities, see "Underwriting."

PROSPECTUS SUMMARY

Concurrently with the closing of the Offering, Integrated Electrical Services, Inc. plans to acquire, in separate transactions (collectively, the "Acquisitions"), for consideration including cash and shares of Common Stock (the "Acquisitions Consideration"), the following 16 companies engaged in all facets of electrical contracting and maintenance services: Houston-Stafford Electric, Inc. and Stark Investments, Inc., a related electrical supply company (such two companies, collectively, "Houston-Stafford"), Mills Electrical Contractors, Inc. ("Mills"), BW Consolidated, Inc., including Bexar Electric Company, Ltd., and Calhoun Electric Company, Ltd. (collectively, "Bexar-Calhoun"), Pollock Electric, Inc. ("Pollock"), Daniel Electrical Contractors, Inc. and Daniel Electrical of Treasure Coast Inc. (collectively, "Daniel"), Muth Electric, Inc. ("Muth"), Amber Electric, Inc. ("Amber"), Summit Electric of Texas, Inc. ("Summit"), Haymaker Electric, Ltd. ("Haymaker"), Thurman & O'Connell Corp. ("Thurman & O'Connell"), Hatfield Electric, Inc. ("Hatfield"), Ace Electric, Inc. ("Ace"), Reynolds Electric Corp. ("Reynolds"), Thomas Popp & Co., Inc. ("Popp") and Rodgers Electric Co., Inc. ("Rodgers") (the foregoing companies referred to herein as the "Founding Companies"). Unless otherwise indicated, references herein to "IES" mean Integrated Electrical Services, Inc., and references to the "Company" mean IES and the Founding Companies collectively.

The following summary is qualified in its entirety by reference to, and should be read in conjunction with, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Unless otherwise indicated, the information, share and per share data in this Prospectus (i) give effect to the Acquisitions, (ii) assume the Underwriters' over-allotment option is not exercised and (iii) give effect to a 2,329.6-for-one stock split of the Common Stock effected in October 1997.

THE COMPANY

IES was founded in June 1997 to create a leading national provider of electrical contracting and maintenance services to the commercial, industrial and residential markets. Concurrently with the closing of the Offering, IES will acquire 15 electrical contracting and maintenance service companies and a related supply company with pro forma combined 1996 revenues of \$272 million, making it one of the largest providers of electrical contracting and maintenance services in the United States. Of such 1996 pro forma revenues, approximately 62% was derived from commercial and industrial work, approximately 25% was derived from residential work and approximately 13% was derived from electrical maintenance work. Combined revenues of the Founding Companies, which have been in business an average of 18 years, increased at an average compound annual growth rate of approximately 23% from 1994 through 1996.

The Company offers a broad range of electrical contracting services, including design and installation for both new and renovation projects in the commercial, industrial and residential markets. The Company also offers long-term and per call maintenance services, which generally provide recurring revenues that are relatively independent of levels of construction activity. Typically, the Founding Companies specialize in either commercial and industrial or residential work, although a few of the Founding Companies have both commercial and industrial and residential operations.

In certain markets the Company offers design-and-build expertise and specialized services, which typically require specific skills and equipment and provide higher margins than general electrical contracting and maintenance services. In a design-and-build project, the electrical contractor applies in-house electrical engineering expertise to design the most cost-effective electrical system for a given structure and purpose, taking into account local code requirements. Specialized services offered by the Company include installations of wiring or cabling for the following: data cabling for computer networks; fiber optic cable systems; telecommunications systems; energy management systems which control the amount of power used in facilities; fire alarm and security systems; cellular phone transmission sites; "smart houses" that integrate computer, energy management, security, safety, comfort and telecommunication systems; lightning protection systems; clean rooms for fabrication of microprocessors and similar devices; computer rooms; back-up electrical systems and uninterruptible power supplies; high voltage distribution and traffic signal systems.

INDUSTRY OVERVIEW

General. Virtually all construction and renovation in the United States generates demand for electrical contracting services. Depending upon the exact scope of work, electrical work generally accounts for approximately 8% to 12% of the total construction cost of the Company's commercial and industrial projects and 5% to 10% of the total construction cost of the Company's residential projects. In recent years, the Founding Companies have experienced a growing demand for electrical contracting services per project due to increased electrical code requirements, demand for additional electrical capacity, including increased capacity for computer systems, additional data cabling requirements and the construction of smart houses with integrated systems.

The overall electrical contracting industry, including commercial, industrial and residential markets, was estimated by the U.S. Census to have generated annual revenues in excess of \$40 billion in 1992, the most recent available U.S. Census data. These Census data indicate that, the electrical contracting industry is highly fragmented with more than 54,000 companies, most of which are small, owner-operated businesses, performing various types of electrical work. The Company believes there are significant opportunities for a well-capitalized national company to provide comprehensive electrical contracting and maintenance services and that the fragmented nature of the electrical contracting industry will provide significant opportunities to consolidate commercial and industrial and residential electrical contracting and maintenance businesses.

Commercial and Industrial Market. Commercial and industrial consumers of electrical contracting and maintenance services include general contractors; developers; consulting engineers; architects; owners and managers of large retail establishments, office buildings, high-rise apartments and condominiums; theaters and restaurants; hotels and casinos; manufacturing and processing facilities; arenas and convention centers; hospitals; school districts; military and other government agencies; airports; prisons and car lots. The Company provides contracting and maintenance services to the full range of commercial and industrial customers.

Over the past three years, the Founding Companies' revenues from electrical contracting for commercial and industrial customers have grown at an average compound annual rate of approximately 24% per year. The Company believes that growth in the commercial and industrial market reflects a number of factors, including (i) levels of construction and renovation activity; (ii) regulations imposed by electric codes, which establish minimum power and wiring requirements; (iii) safety codes mandating additional installation of smoke detectors and the use of ground fault circuit protection devices in more locations; (iv) revised national energy standards that dictate the use of more energy-efficient lighting fixtures and other equipment; (v) continuing demand to build out lease spaces in office buildings and to reconfigure space for new tenants; (vi) increases in use of electrical power, creating needs for increased capacity and outlets, as well as data cabling and fiber optics and (vii) requirements of building owners and developers to facilitate marketing their properties to tenants and buyers by installing electrical capacity in excess of minimum code requirements.

Residential Market. Contracting work for the residential market consists primarily of electrical installations in new single family and low-rise multifamily residence construction for customers such as large homebuilders and apartment developers. The Company also provides maintenance services to these customers as well as to individual property owners in some locations. The residential market is primarily dependent on the number of single family and multifamily home starts, which are in turn affected by interest rates, tax considerations and general economic conditions. Competitive factors particularly important in the residential market include a contractor's ability to build relationships with customers by providing services in diverse geographic markets as construction activity shifts to new locations. The Founding Companies' residential electrical contracting revenues have grown at an average compound annual rate of approximately 22% over the past three years.

STRATEGY

The Company believes that its size, geographical diversity of operations, industry relationships, expertise in specialized markets, number of licensed electricians and access to design technology give the Company significant competitive advantages in the electrical contracting and maintenance services industry. Through increased size, the Company believes it will have greater ability to compete for larger jobs that require greater

technical expertise, personnel availability and bonding capacity, to more effectively allocate and share resources in serving customers in each of its markets and to attract, train and retain qualified electricians. The Company also believes that increased size will provide increased efficiency in materials purchasing, computer system development, employee benefits, bonding, insurance and financing. The Company believes that the diversity of its operations will diminish the effects of regional and market downturns, offer opportunities to pursue growth in its existing markets and create a base of expertise to expand into new markets and serve new customers.

The Company plans to leverage its experienced management and extensive relationships within the electrical contracting industry to increase its revenues and reduce its cost infrastructure through internal growth as well as the acquisition of additional electrical contracting businesses. The Company's management includes a Chief Executive Officer and two Chief Operating Officers, each with 25 years or more of experience in the electrical contracting industry. The Company has extensive business relationships within the industry, in part through Founding Companies that are members of the Independent Electrical Contractors Association ("IEC"). The IEC is the second largest electrical trade organization in the U.S. and has nearly 3,000 contracting firms as members. The Company's Chief Executive Officer is a past president of the IEC, and two founders are members of the executive committee of the IEC. The IEC sponsors forum groups, which are discussion groups of members of the IEC that foster the sharing of best business practices. The Founding Companies are members of the IEC and other trade organizations, and the Company intends to expand the practice of sharing best practices among the Founding Companies and with future acquisitions.

The Company's goal is to become a leading national provider of electrical services by improving its operations, expanding its business and markets through internal growth and pursuing an aggressive acquisition strategy.

Operating Strategy. The Company believes there are significant opportunities to increase revenues and profitability of the Founding Companies and subsequently acquired businesses. The key elements of the Company's operating strategy are:

Share Information, Technical Capabilities and Best Practices. The Company believes it will be able to expand the services it offers in its local markets by leveraging the specialized technical and marketing strengths of individual Founding Companies. The Company will identify and share best practices that can be successfully implemented throughout its operations. The Company intends to use the computer-aided-design technology and expertise of certain of the Founding Companies to bid for more design-and-build projects and to assist customers in value engineering and creating project documents. The Company believes that its increased size, capital and workforce will permit it to pursue projects that require greater design and performance capabilities and the ability to meet accelerated timetables.

Expand Scope of Maintenance and Specialized Services. The Company intends to further develop its long-term and per call maintenance service operations, which generally realize higher gross margins and provide recurring revenues that are relatively independent of levels of construction activity. The Company also believes that certain specialized businesses currently offered by only a few of the Founding Companies can be expanded throughout the Company and in some cases can provide higher margins. Through sharing of expertise and specialized licenses and the ability to demonstrate a safety record in specialized markets served by the Founding Companies, the Company intends to expand its presence and profitability in markets where it previously relied on subcontractors.

Establish National Market Coverage. The Company believes that the growth of many of the Founding Companies has been restricted due to the geographic limitations of existing operations and that the Company's broad geographic coverage will increase internal growth opportunities. The Company intends to leverage its geographic diversity to bid for additional business from existing customers that operate on a regional and national basis, such as developers, contractors, homebuilders and owners of national chains. The Company believes that significant demand exists from such companies to utilize the services of a single electrical contracting and maintenance service provider and that existing local and regional relationships can be expanded as the Company develops a nationwide network.

Operate on Decentralized Basis. The Company believes that, while maintaining strong operating and financial controls, a decentralized operating structure will retain the entrepreneurial spirit present in each of the Founding Companies. The Company also will be structured to allow it to capitalize on the considerable local and regional market knowledge and customer relationships possessed by each Founding Company, as well as companies that may be acquired in the future. By maintaining a local and regional focus in each of its markets, the Company believes it will be able to build relationships with general contractors and other customers, address design preferences and code requirements, respond quickly to customer demands for higher-margin renovation and upgrade projects and adjust to local conditions.

Attract and Retain Quality Employees. The Company believes that the ability to attract and retain qualified electricians is a critical competitive factor and that the Acquisitions and the Offering will provide competitive advantages in this regard. The Company intends to attract and develop skilled employees by extending active recruiting and training programs, offering stock-based compensation for key employees, and offering expanded career paths and more stable income through the larger public company. The Company believes that this ability will allow it to increase efficiency and pursue additional customer relationships.

Achieve Operating Efficiencies. Certain administrative functions will be centralized following the Offering. In addition, by combining overlapping operations of certain of the Founding Companies, the Company expects to realize savings in overhead and other expenses. The Company intends to use its increased purchasing power to gain volume discounts in areas such as electrical materials, vehicles, advertising, bonding, employee benefits and insurance. The Company will seek to realize cost savings and other benefits by the sharing of purchasing, pricing, bidding and other business practices and the sharing of licenses. The Company intends to further develop and extend the use of computer systems to facilitate communication among the Founding Companies. At some locations, the larger combined workforce will provide additional staffing flexibility.

Acquisition Strategy. The Company believes that, due to the highly fragmented nature of the electrical contracting and maintenance services industry, it has significant opportunities to pursue its acquisition strategy. The Company intends to focus on acquiring companies with management philosophies based on both an entrepreneurial attitude as well as a willingness to learn and share improved business practices through open communications. The Company believes that many electrical contracting and service businesses that lack the capital necessary to expand operations will become acquisition candidates. For these acquisition candidates, the Company will provide (i) information on best practices, (ii) expertise in expanding in specialized markets, (iii) the opportunity to focus on customers rather than administration, (iv) national name recognition, (v) increased liquidity and (vi) the opportunity for a continued role in management. The Founding Companies participate in professional associations such as the IEC and Associated Builders and Contractors, and the Company intends to continue these relationships, in part to assist in identifying attractive acquisition candidates. Other key elements of the Company's acquisition strategy are:

Enter New Geographic Markets. The Company will pursue acquisitions that are located in new geographic markets, are financially stable and have the customer base necessary to integrate with or complement its existing business. The Company also expects that increasing its geographic diversity will allow it to better serve an increasingly nationwide base of customers and further reduce the impact on the Company of local and regional economic cycles, as well as weather-related or seasonal variations in business.

Expand Within Existing Markets. Once the Company has entered a market, it will seek to acquire other well-established electrical contracting and maintenance businesses operating within that region, including "tuck-in" acquisitions of smaller companies. The Company believes that tuck-in acquisitions afford the opportunity to improve its overall cost structure through the integration of such acquisitions into existing operations as well as to increase revenues through access to additional specialized markets, such as heavy industrial markets. Despite such integration opportunities afforded by such tuck-in

acquisitions, the Company intends to maintain existing business names and identities to retain goodwill for marketing purposes.

THE OFFERING

Common Stock offered.....	7,000,000 shares
Common Stock to be outstanding after the Offering(1).....	23,365,337 shares
Use of proceeds.....	To pay the cash portion of the Acquisitions Consideration, to repay certain indebtedness of the Founding Companies, to use for working capital and for general corporate purposes, which are expected to include acquisitions. See "Use of Proceeds."
Proposed NYSE trading symbol.....	"IEE"

(1) Includes (i) 12,313,026 shares to be issued to the owners of the Founding Companies, (ii) 7,000,000 shares to be sold in the Offering, (iii) 1,396,602 shares issued to the management of IES and (iv) 2,655,709 shares of Restricted Common Stock issued to the founder of IES. Excludes options to purchase 300,000 shares which are currently outstanding and options to purchase 2,100,000 shares which are expected to be granted upon consummation of the Offering. See "Management -- 1997 Stock Plan," "Management -- 1997 Directors Stock Plan," "Certain Transactions" and "Description of Capital Stock."

SUMMARY PRO FORMA COMBINED FINANCIAL DATA
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

IES will acquire the Founding Companies simultaneously with and as a condition to the consummation of the Offering. For financial statement presentation purposes, Houston-Stafford has been identified as the "accounting acquiror." The following summary unaudited pro forma combined financial data present certain data for the Company, as adjusted for (i) the effects of the Acquisitions, (ii) the effects of certain other pro forma adjustments to the historical financial statements and (iii) the consummation of the Offering and the application of the net proceeds therefrom. The unaudited pro forma combined income statement data assume that the Acquisitions, the Offering and related transactions were closed on October 1, 1995 and are not necessarily indicative of the results that the Company would have obtained had these events actually then occurred or of the Company's future results. During the periods presented below, the Founding Companies were not under common control or management and, therefore, the data presented may not be comparable to or indicative of post-combination results to be achieved by the Company. The unaudited pro forma combined income statement data are based on preliminary estimates, available information and certain assumptions that Company management deems appropriate. The unaudited pro forma combined financial statements should be read in conjunction with the other financial information included elsewhere in this Prospectus. See "Selected Financial Data," the Unaudited Pro Forma Combined Financial Statements and notes thereto, and the historical financial statements for certain of the Founding Companies and the notes thereto, all included elsewhere in this Prospectus.

	PRO FORMA	
	YEAR ENDED SEPTEMBER 30, 1996	NINE MONTHS ENDED JUNE 30, 1997
INCOME STATEMENT DATA:		
Revenues.....	\$ 272,236	\$ 226,210
Cost of services (including depreciation).....	216,382	178,287
	-----	-----
Gross profit.....	55,854	47,923
Selling, general and administrative expenses(a).....	28,546	26,729
Goodwill amortization(b).....	2,857	2,143
	-----	-----
Income from operations.....	24,451	19,051
Interest and other income (expense), net(c).....	(31)	(74)
	-----	-----
Income before income taxes.....	24,420	18,977
Provision for income taxes.....	10,436	8,076
	-----	-----
Net income(d).....	\$ 13,984	\$ 10,901
	=====	=====
Net income per share.....	\$.64	\$.50
	=====	=====
Shares used in computing pro forma net income per share(e).....	21,693,969	21,693,969
	=====	=====

JUNE 30, 1997 PRO FORMA(F)		
	COMBINED	AS ADJUSTED(G)(H)

BALANCE SHEET DATA:		
Working capital.....	\$(36,116)(i)	\$ 50,265
Total assets.....	199,247	224,326
Long-term debt, net of current maturities.....	12,204	11,445
Total stockholders' equity.....	75,673	162,813

(a) The unaudited pro forma combined income statement data reflect an aggregate of approximately \$6.0 million and \$4.5 million for the year ended September 30, 1996 and the nine months ended June 30, 1997, respectively, in pro forma reductions in salary, bonus and benefits of the owners of the Founding Companies to which they have agreed prospectively, and the effect of revisions of certain lease agreements between the Founding Companies and certain stockholders of the Founding Companies. See "Certain Transactions."

- (b) Reflects amortization of the goodwill to be recorded as a result of the Acquisitions over a 40-year period and computed on the basis described in the notes to the Unaudited Pro Forma Combined Financial Statements.
- (c) Reflects the reduction for interest expense of \$0.7 million and \$0.5 million for the year ended September 30, 1996 and the nine months ended June 30, 1997, respectively, attributed to the repayment of \$4.6 million of historical debt with proceeds from the Offering and other debt distributed prior to the Acquisitions, net of additional interest expense discussed in (h) below. Additionally, reflects a \$250,000 and \$222,000 reduction in minority interest expense for the year ended September 30, 1996 and the nine months ended June 30, 1997, respectively.
- (d) Assumes all pretax income before non-deductible goodwill and other permanent items is subject to a 38% overall tax rate.
- (e) Includes (i) 12,313,026 shares to be issued to the owners of the Founding Companies, (ii) 1,396,602 shares issued to the management of IES, (iii) 2,655,709 shares of Restricted Common Stock issued to the founder of IES and (iv) 5,208,632 of the 7,000,000 shares to be sold in the Offering necessary to pay the cash portion of the Acquisitions Consideration and the Offering expenses. Includes 120,000 shares computed under the treasury stock method related to 300,000 options which are currently outstanding, but excludes options to purchase 2,100,000 shares which are expected to be granted upon consummation of the Offering. See "Description of Capital Stock."
- (f) Reflects the Acquisitions and related transactions as if they had occurred on June 30, 1997 as described in the notes to the Unaudited Pro Forma Combined Financial Statements. The unaudited pro forma combined balance sheet data are based upon preliminary estimates, available information and certain assumptions that management deems appropriate and should be read in conjunction with the other financial information and historical financial statements, and notes thereto, included elsewhere in this Prospectus.
- (g) Reflects the closing of the Offering and the Company's application of the net proceeds therefrom to fund the cash portion of the Acquisitions Consideration and to repay certain indebtedness of the Founding Companies. See "Use of Proceeds" and "Certain Transactions."
- (h) A number of the Founding Companies have historically elected S corporation status for tax purposes. In connection with the Acquisitions, these Founding Companies will make distributions to their stockholders totaling approximately \$17.8 million, representing substantially all of the previously taxed undistributed earnings (the "S Corporation Distributions"). In order to fund these distributions, the Company will distribute \$4.4 million of cash, distribute \$2.5 million of nonoperating assets, net of liabilities, and borrow approximately \$10.9 million. Accordingly, pro forma interest expense has been increased by \$1.0 million for the year ended September 30, 1996 and \$0.7 million for the nine months ended June 30, 1997 and pro forma stockholders' equity has been reduced by approximately \$17.8 million. Additionally, approximately \$3.0 million of nonoperating assets, net of liabilities, will be distributed by other Founding Companies prior to the Acquisitions.
- (i) Includes the estimated \$57.5 million of notes payable to owners of the Founding Companies, representing the cash portion of the Acquisitions Consideration to be paid from a portion of the net proceeds from the Offering. See "Pro Forma -- As Adjusted" amounts. The cash portion of the Acquisitions Consideration will be adjusted based on the initial public offering price of the Common Stock offered hereby.

SUMMARY INDIVIDUAL FOUNDING COMPANY HISTORICAL FINANCIAL DATA
(IN THOUSANDS)

The following table presents certain summary historical income statement data of the Founding Companies for each of their three most recent fiscal years and their first six-month fiscal year-to-date results for 1996 and 1997. The historical income statement data below have not been adjusted for the pro forma adjustments related to contractually agreed reductions in salaries and benefits, or any other pro forma adjustments, reflected in the Unaudited Pro Forma Combined Financial Statements, included elsewhere in this Prospectus. The income statement data presented below have been audited for certain of the Founding Companies and certain of the periods as reflected in the historical financial statements of certain of such Founding Companies, included elsewhere in this Prospectus. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	FISCAL YEARS(A)			SIX-MONTH FISCAL YEAR-TO-DATE PERIODS(A)	
	1994	1995	1996	1996	1997
HOUSTON-STAFFORD:					
Revenues.....	\$48,001	\$54,082	\$70,493	\$35,299	\$37,508
Income from operations.....	519	1,343	5,021	3,407	2,428
MILLS:					
Revenues.....	\$25,544	\$35,250	\$65,439	\$27,902	\$35,613
Income from operations.....	1,216	3,137	7,261	3,577	2,622
BEXAR-CALHOUN:					
Revenues.....	\$23,168	\$27,730	\$33,023	\$16,680	\$16,311
Income from operations.....	2,110	3,129	4,320	2,262	1,735
POLLOCK:					
Revenues.....	\$11,847	\$13,002	\$15,816	\$ 5,675	\$ 8,011
Income/(Loss) from operations.....	455	251	(181)	(406)	68
DANIEL:					
Revenues.....	\$12,198	\$12,049	\$12,585	\$ 5,134	\$ 9,259
Income/(Loss) from operations.....	219	(1,178)	988	281	1,698
MUTH:					
Revenues.....	\$13,466	\$16,012	\$16,830	\$ 8,065	\$ 8,308
Income from operations.....	983	900	1,039	476	81
AMBER:					
Revenues.....	\$ 8,735	\$ 9,728	\$13,878	\$ 6,881	\$ 7,910
Income from operations.....	281	136	503	428	1,199
SUMMIT:					
Revenues.....	\$ 9,243	\$ 9,233	\$10,565	(b)	(b)
Income from operations.....	166	159	68	(b)	(b)
HAYMAKER:					
Revenues.....	\$ 5,736	\$ 7,571	\$ 7,560	\$ 3,187	\$ 5,841
Income from operations.....	220	376	435	105	241
THURMAN & O'CONNELL:					
Revenues.....	\$ 3,658	\$ 4,729	\$ 4,551	\$ 2,842	\$ 2,254
Income from operations.....	502	908	989	630	910
ALL OTHER FOUNDING COMPANIES(C):					
Revenues.....	\$19,608	\$22,238	\$21,496	\$11,470	\$12,815
Income from operations.....	1,083	1,545	883	1,096	1,126

(a) The fiscal years presented above are the years ended December 31, 1994, 1995 and 1996, except for Pollock for which the fiscal years presented are the years ended October 31, 1994, 1995 and 1996; and Summit for which the fiscal years presented are the years ended March 31, 1995, 1996 and 1997 (See (b) below). Additionally, the six-month fiscal year-to-date periods presented above are the six months ended June 30, 1996 and 1997, except for Pollock for which the six-month fiscal year-to-date periods are the six months ended April 30, 1996 and 1997.

(b) Summit has a fiscal year ended March 31, 1997, and, accordingly, the first six-month fiscal year-to-date results for 1997 are not currently available.

(c) The other Founding Companies are Hatfield, Ace, Reynolds, Rodgers and Popp, and the fiscal years presented for such other Founding Companies are for December 31, 1994, 1995 and 1996, in the case of Ace, Reynolds and Popp; October 31, 1994, 1995 and 1996, in the case of Hatfield; and September 30, 1994, 1995 and 1996, in the case of Rodgers.

RISK FACTORS

Prospective investors should carefully consider the following factors as well as the other information contained in this Prospectus. This Prospectus contains forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of factors, including the risk factors set forth below and elsewhere in this Prospectus.

ABSENCE OF COMBINED OPERATING HISTORY

IES was founded in June 1997 but has conducted no operations and generated no revenue to date. IES has entered into agreements to acquire the Founding Companies simultaneously with the closing of the Offering. The Founding Companies have been operating and will continue to operate as separate independent entities, and there can be no assurance that the Company will be able to integrate these businesses on an economic basis. In addition, there can be no assurance that the recently assembled management group will be able to oversee the combined entity and effectively implement the Company's operating or growth strategies. The pro forma combined financial results of the Founding Companies cover periods during which the Founding Companies and IES were not under common control or management and, therefore, may not be indicative of the Company's future financial or operating results. The success of the Company will depend on management's ability to integrate the Founding Companies and other future acquisitions into one organization in a profitable manner. The inability of the Company to successfully integrate the Founding Companies and to coordinate and integrate certain administrative, banking, insurance and accounting functions and computer systems would have a material adverse effect on the Company's financial condition and results of operations and would make it unlikely that the Company's acquisition program will be successful.

EXPOSURE TO DOWNTURNS IN COMMERCIAL CONSTRUCTION OR HOUSING STARTS

A substantial portion of the Company's business involves installation of electrical systems in newly constructed and renovated commercial buildings, plants and residences. The extent to which the Company is able to maintain or increase revenues from new installation services will depend on the levels of new construction starts from time to time in the geographic markets in which it operates and likely will reflect the cyclical nature of the construction industry. The level of new commercial installation services is affected by fluctuations in the level of new construction of commercial buildings in the markets in which the Company operates, due to local economic conditions, changes in interest rates and other related factors. The housing industry is similarly affected by changes in general and local economic conditions, such as employment and income levels, the availability and cost of financing for home buyers (including the continued deductibility of mortgage-linked interest expenses in determining federal income tax), consumer confidence and housing demand. Downturns in levels of commercial construction or housing starts would have a material adverse effect on the Company's business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Seasonality and Quarterly Fluctuations."

RELIANCE ON ACQUISITIONS

One of the Company's principal growth strategies is to increase its revenues, geographic diversity and the scope of services offered and to diversify its business mix through the acquisition of electrical contracting companies. There can be no assurance that the Company will be able to acquire additional businesses or to integrate and manage such additional businesses successfully. Acquisitions may involve a number of risks, including: adverse short-term effects on the Company's reported operating results; diversion of management's attention; dependence on retention, hiring and training of key personnel; risks associated with unanticipated problems or legal liabilities and amortization of acquired intangible assets. Some or all of these risks could have a material adverse effect on the Company's financial condition or results of operations. In addition, to the extent that consolidation becomes more prevalent in the industry, the prices for attractive acquisition candidates may increase and the number of attractive acquisition candidates may decrease. The Company believes that the electrical contracting industry may experience consolidation on both a national and a regional level by other companies that have acquisition objectives similar to the Company's objectives. Other

consolidators may have greater financial resources than the Company to finance acquisition and internal growth opportunities and might be willing to pay higher prices than the Company for the same acquisition opportunities. If such acquisitions can be made, there can be no assurance that the businesses acquired will achieve sales and profitability that justify the investment therein. See "Business -- Strategy."

MANAGEMENT OF GROWTH

The Company expects to grow internally and through acquisitions. Management expects to expend significant time and effort in evaluating, completing and integrating acquisitions and opening new facilities. There can be no assurance that the Company's systems, procedures and controls will be adequate to support the Company's operations as they expand. Any future growth also will impose significant added responsibilities on members of senior management, including the need to identify, recruit and integrate new senior level managers and executives. There can be no assurance that such additional management will be identified and retained by the Company. If the Company is unable to manage its growth efficiently and effectively, or is unable to attract and retain additional qualified management, there could be a material adverse effect on the Company's financial condition and results of operations. See "Business -- Strategy."

AVAILABILITY OF ELECTRICIANS

The Company's ability to provide high-quality electrical services on a timely basis is dependent upon an adequate supply of skilled electricians. Accordingly, the Company's ability to increase its productivity and profitability will be limited by its ability to employ, train and retain skilled electricians necessary to meet the Company's requirements. Many companies in the electrical contracting and service industry are currently experiencing shortages of qualified electricians, and there can be no assurance that the Company will be able to maintain an adequate skilled labor force necessary to operate efficiently, that the Company's labor expenses will not increase as a result of a shortage in the supply of skilled technicians or that the Company will not have to curtail its planned internal growth as a result of labor shortages. See "Business -- Employee Screening, Training and Development."

COMPETITION

The electrical contracting industry is highly competitive and is served by small, owner-operated private companies, public companies and several large regional companies. Additionally, the Company could face competition in the future from other competitors entering the market, including public utilities. Certain of the Company's larger competitors offer a greater range of services, such as mechanical construction, plumbing and heating, ventilation and air conditioning services. In certain geographic regions, the Company may not be eligible to compete for certain contracts because its employees are not subject to collective bargaining arrangements. See "Business -- Industry Overview -- Industry Developments." Competition in the electrical contracting industry depends on a number of factors, including price. Certain of the Company's competitors may have lower overhead cost structures and may, therefore, be able to provide their services at lower rates than the Company. See "Business -- Competition."

ACQUISITION FINANCING

The Company intends to use its Common Stock for a portion of the consideration for future acquisitions. If the Common Stock does not maintain a sufficient valuation or potential acquisition candidates are unwilling to accept Common Stock as part of the consideration for the sale of their businesses, the Company may be required to utilize more of its cash resources, if available, in order to pursue its acquisition program. If the Company does not have sufficient cash resources, its growth could be limited unless it is able to obtain additional capital through future debt or equity financings. The Company has recently initiated negotiations with a group of commercial banks to provide the Company with a credit facility to be used for acquisitions, working capital and other general corporate purposes and may result in financial covenants that limit the Company's operations and financial flexibility. There can be no assurance that the Company will be able to obtain such financing if and when it is needed or that, if available, it will be available on terms the Company deems acceptable. As a result, the Company might be unable to pursue its acquisition strategy successfully.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Combined Liquidity and Capital Resources" and "Business -- Strategy."

SEASONALITY; FLUCTUATION OF QUARTERLY OPERATING RESULTS

The electrical contracting service business can be subject to seasonal variations in operations and demand that affect the construction business, particularly in residential construction, which is affected by weather conditions. Quarterly results may also be materially affected by the timing of acquisitions, the timing and magnitude of acquisition assimilation costs and regional economic conditions. Accordingly, the Company's performance in any particular quarter may not be indicative of the results which can be expected for any other quarter or for the entire year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Seasonality and Quarterly Fluctuations."

CONTROL BY EXISTING MANAGEMENT AND STOCKHOLDERS

Following the completion of the Acquisitions and the Offering, the Company's executive officers, directors and affiliates will beneficially own approximately 42% of the total outstanding shares of Common Stock and Restricted Common Stock. These persons, if acting in concert, will be able to continue to exercise control over the Company's affairs, to elect the entire Board of Directors and to control the disposition of any matter submitted to a vote of stockholders. See "Principal Stockholders."

PROCEEDS OF OFFERING AND BENEFITS TO AFFILIATES

Approximately \$57.5 million, or approximately 66%, of the net proceeds of the Offering will be paid in cash to the owners of the Founding Companies (who will generally become officers, directors or employees of the Company). In addition, approximately \$4.6 million, or approximately 5% of the net proceeds of the Offering, will be used to repay historical indebtedness of the Founding Companies. Net proceeds available for acquisitions, working capital and other corporate purposes will be approximately \$25.0 million, or 29% of the net proceeds of the Offering. The Company will incur approximately \$10.9 million in indebtedness to fund the S Corporation Distributions. See "Use of Proceeds" and "Certain Transactions."

BENEFITS TO FOUNDER AND MANAGEMENT

In connection with the formation of the Company, C. Byron Snyder, the founder of IES, and management received in the aggregate 4,052,311 shares of Common Stock for nominal consideration. These shares will represent, in the aggregate, approximately 17.3% of the total outstanding Common Stock following the consummation of the Offering. Of these shares of Common Stock, the 2,655,709 shares held by Mr. Snyder are Restricted Common Stock, which are entitled to elect one member of the Company's Board of Directors and to one-half of one vote for each share held on all other matters on which they are entitled to vote. Holders of Restricted Common Stock are not entitled to vote on the election of any other directors and will control in the aggregate 5.7% of the votes of all shares of Common Stock. Such restrictions may be terminated by the Company after January 1, 2000. See "Principal Stockholders."

NO PRIOR MARKET, POSSIBLE VOLATILITY OF STOCK

Prior to the Offering, no public market for the Common Stock has existed, and the initial public offering price, which will be determined by negotiations between the Company and representatives of the Underwriters, may not be indicative of the price at which the Common Stock will trade after the Offering. See "Underwriting" for the factors to be considered in determining the initial public offering price. The Company intends to make application to list the Common Stock on the NYSE, but no assurance can be given that an active trading market for the Common Stock will develop or, if developed, continue after the Offering. The market price of the Common Stock after the Offering may be subject to significant fluctuations from time to time in response to numerous factors, including variations in the reported financial results of the Company and changing conditions in the economy in general or in the electrical contracting and maintenance service

industry in particular. In addition, the stock markets experience significant price and volume volatility from time to time which may affect the market price of the Common Stock for reasons unrelated to the Company's performance.

DEPENDENCE ON KEY PERSONNEL

The Company's operations are dependent on the continued efforts of its executive officers and senior management of the Founding Companies. Furthermore, the Company will be dependent on the senior management of companies that may be acquired in the future. Although the Company will enter into an employment agreement with each of the Company's executive officers, there can be no assurance that any individual will continue in such capacity for any particular period of time. The loss of key personnel, or the inability to hire and retain qualified employees could have an adverse effect on the Company's business, financial condition and results of operations. See "Management."

SHARES ELIGIBLE FOR FUTURE SALE

As of October 20, 1997, 4,052,311 shares of Common Stock were issued and outstanding. Simultaneously with the closing of the Offering, the stockholders of the Founding Companies will receive, in the aggregate, 12,313,026 shares of Common Stock as a portion of the Acquisitions Consideration. None of these 16,365,337 shares was or will be issued in a transaction registered under the Securities Act, and, accordingly, such shares may not be sold except in transactions registered under the Securities Act or pursuant to an exemption from registration, including the exemptions contained in Rules 144 and 701 under the Securities Act. In addition, the owners of the Founding Companies have agreed with the Company not to sell, contract to sell or otherwise dispose of any shares of Common Stock received as consideration in the Acquisitions for a period of two years following receipt thereof without the Company's consent. When these shares become saleable, the market price of the Common Stock could be adversely affected by the sale of substantial amounts of the shares in the public market. The current stockholders of the Company (including the stockholders of the Founding Companies) have certain piggy-back registration rights with respect to their shares, which may be exercised during the two-year period referred to above.

Upon the closing of the Offering, the Company also will have outstanding options to purchase up to a total of approximately 2,400,000 shares of Common Stock issued pursuant to the Company's 1997 Stock Option and Incentive Plan (the "1997 Stock Plan"). A total of 3,500,000 shares will be issuable pursuant to the 1997 Stock Plan. The Company intends to file a registration statement covering all such shares under the Securities Act. See "Management -- 1997 Stock Plan."

The Company currently intends to file a registration statement covering up to an additional 6.0 million shares of Common Stock under the Securities Act for its use in connection with future acquisitions. These shares generally will be freely tradeable after their issuance by persons not affiliated with the Company unless the Company contractually restricts their resale.

There can be no assurance that the resale or the availability for sale of the shares of Common Stock eligible for future sale will not have an adverse effect on the prevailing market price of the Common Stock.

CERTAIN ANTI-TAKEOVER PROVISIONS

The Company's Amended and Restated Certificate of Incorporation, Bylaws, employment agreements and employee benefit plans contain provisions which may have the effect of delaying, deferring or preventing a change in control of the Company. For example, the Company's Amended and Restated Certificate of Incorporation and Bylaws provide for, among other things, a classified Board of Directors, the prohibition of stockholder action by written consent and the affirmative vote of at least 66 2/3% of all outstanding shares of Common Stock to approve the removal of directors from office. The Company's Board of Directors has the authority to issue shares of preferred stock in one or more series and to fix the rights and preferences of the shares of any such series without stockholder approval. Any series of preferred stock is likely to be senior to the Common Stock with respect to dividends, liquidation rights and, possibly, voting. In addition, the Board of Directors may issue certain rights pursuant to the rights plan authorized by the Amended and Restated

Certificate of Incorporation. The ability to issue preferred stock or rights could have the effect of discouraging unsolicited acquisition proposals. The Company's 1997 Stock Plan contains provisions that allow for, among others, the acceleration of vesting or payment of awards granted under such plan in the event of a "change of control," as defined in such plan. In addition, the Company has entered into employment agreements with certain executive officers and key employees allowing for cash payments under certain circumstances following a change in control, as defined, of the Company.

IMMEDIATE AND SUBSTANTIAL DILUTION

The purchasers of the shares of Common Stock offered hereby will experience immediate dilution in the net tangible book value of their shares of \$11.92 per share (assuming an initial public offering price of \$14.00 per share). See "Dilution." In the event the Company issues additional shares of Common Stock in the future, including shares which may be issued in connection with acquisitions or other public or private financings, purchasers of Common Stock in the Offering may experience further dilution in the net tangible book value per share of the Common Stock. See "Dilution."

THE COMPANY

IES was founded in June 1997 to create a leading national provider of electrical contracting and maintenance services. Concurrently with and as a condition to the closing of the Offering, IES will acquire the 16 Founding Companies. For 1996, the Founding Companies, which have been in business for an average of 18 years, had pro forma combined annual revenues of approximately \$272 million. The Acquisitions Consideration to be paid by the Company consists of approximately \$57.5 million in cash (subject to adjustment based on the initial public offering price of the Common Stock offered hereby) and 12,313,026 shares of Common Stock. The Acquisitions Consideration was determined by negotiations among the Company and representatives of the Founding Companies. See "Certain Transactions." A brief description of each of the Founding Companies is set forth below.

HOUSTON-STAFFORD. Houston-Stafford was founded in 1973 and is headquartered in Stafford, Texas, near Houston. It operates primarily in Texas, with other significant operations in Georgia, Virginia, Tennessee and Maryland. Houston-Stafford had revenues of approximately \$70.5 million in fiscal 1996, primarily from residential contracting and, to a lesser extent, from commercial and industrial contracting. Because Houston-Stafford has developed ongoing relationships with developers and homebuilders that have regional and national operations, Houston-Stafford has experience in establishing business operations in different locations to meet the demands of its national clientele for electrical contracting in various regions. Houston-Stafford has approximately 1,000 employees. In May 1997 Houston-Stafford financed the acquisition of an electrical supply company located in Houston. Ben Mueller, executive vice president of Houston-Stafford, will become Senior Vice President and Chief Operating Officer -- Residential and a director of the Company following consummation of the Offering. Roy D. Brown, president of Houston-Stafford, will sign a five-year employment agreement with IES to continue in his position as president of Houston-Stafford following consummation of the Offering. John Wagner, who is vice president of Houston-Stafford and president of the electrical supply company, will sign a five-year employment agreement with IES to continue in his position as president of the electrical supply company following consummation of the Offering.

MILLS. Mills was founded in 1972 and conducts most of its business in the greater Dallas-Fort Worth area. Mills had revenues of approximately \$65.4 million in fiscal 1996, primarily from commercial and industrial contracting and, to a lesser extent, from maintenance services. Mills has specialized expertise in data cabling, fire alarm systems and computer-aided-design for electrical contracting, and a significant portion of 1996 revenues was attributable to design-and-build projects. Mills has approximately 570 employees. Jerry Mills, president and founder of Mills, will become Senior Vice President and Chief Operating Officer -- Commercial and Industrial and a director of the Company following consummation of the Offering.

BEXAR-CALHOUN. Bexar was founded in 1962 and operates primarily in the areas around the cities of San Antonio, New Braunfels and Laredo, Texas. Calhoun was founded in 1958 and operates in the counties around San Antonio. On a combined basis, Bexar-Calhoun had revenues of approximately \$33.0 million in fiscal 1996, relatively balanced between commercial and industrial contracting, residential contracting and maintenance services. Bexar-Calhoun has approximately 450 employees. Bob Weik, president of BW Consolidated, Inc., will sign a five-year employment agreement with IES to continue his present position and will be a director of the Company following consummation of the Offering.

POLLOCK. Pollock was founded in 1983 and is headquartered in Houston, Texas. Pollock had revenues of approximately \$15.8 million in fiscal 1996, primarily from commercial and industrial contracting. For projects located outside of Houston, Pollock generally works with another electrical service contractor based near the project. Pollock has specialized design-and-build and computer-aided-design expertise, and, on certain projects, Pollock prefabricates materials to reduce costs and time required at the work site. Pollock has approximately 230 employees. Jon Pollock, founder and president of Pollock and a former president of the IEC, will become President and Chief Executive Officer and a director of the Company following consummation of the Offering.

DANIEL. Daniel Electrical Contractors, Inc. was founded in 1986, is headquartered in Miami, Florida and operates primarily in South Florida. Daniel Electrical of Treasure Coast, Inc. was founded in 1995 and is headquartered in Vero Beach, Florida. Daniel had combined revenues of approximately \$12.6 million in fiscal

1996, primarily from commercial and industrial contracting (including high-rise condominiums). Because developers generally presell a certain percentage of condominiums prior to commencing construction, Daniel has experience in meeting the accelerated contracting schedules that are often required to meet mandated closing periods for condominium sales. Daniel has approximately 240 employees. Thomas Daniel, founder and president of Daniel, will sign a five-year employment agreement with IES to continue his present position following consummation of the Offering.

MUTH. Muth was founded in 1970 and has 7 offices located in South Dakota, including its headquarters in Mitchell. Muth also operates from time to time in Wyoming, Montana, Nebraska and Minnesota. Muth had revenues of approximately \$16.8 million in fiscal 1996, primarily from commercial and industrial contracting and, to a lesser extent, from residential contracting and maintenance services. Muth has expertise in design-and-build projects, computer-aided-design technology and prefabrication of electrical components. Muth has approximately 180 employees. Richard Muth, founder and president of Muth, will sign a five-year employment agreement with IES to continue his present position and will become a director of the Company following consummation of the Offering.

AMBER. Amber was founded in 1979 and operates from its base near Orlando, Florida. Amber had revenues of approximately \$13.9 million in fiscal 1996, primarily from commercial and industrial contracting. Amber has approximately 230 employees. Daniel J. Petro, founder and president of Amber, will sign a five-year employment agreement with IES to continue his present position following consummation of the Offering.

SUMMIT. Summit was founded in 1987 and is located in Houston, Texas. Summit had revenues of approximately \$10.6 million in its fiscal year ended March 31, 1997, primarily from commercial and industrial contracting and, to a lesser extent, from maintenance services. Summit has specialized expertise in data cable design and installation and lighting design. Summit has approximately 150 employees. Steve Jackson, president of Summit, will sign a five-year employment agreement with IES to continue his present position following consummation of the Offering.

HAYMAKER. Haymaker was founded in 1981. Haymaker is headquartered in Birmingham, Alabama, and operates in Alabama, northwest Florida and North Carolina. Haymaker had revenues of approximately \$7.6 million in fiscal 1996, primarily from commercial and industrial contracting. Haymaker has expertise in design-and-build projects, lightning protection and fire alarms, and its largest existing contracts involve new construction of high-rise office buildings. Haymaker has approximately 110 employees. Charles Bagby, founder and president of Haymaker, will sign a five-year employment agreement with IES to continue his present position following consummation of the Offering.

THURMAN & O'CONNELL. Thurman & O'Connell was founded in 1988. It is headquartered in Louisville, Kentucky, and operates primarily in Louisville and the surrounding areas. Thurman & O'Connell had revenues of approximately \$4.6 million in fiscal 1996, primarily from commercial and industrial contracting. Thurman & O'Connell bids primarily on larger projects and out-of-budget projects for which it can apply in-house value engineering, lowering costs to its customers and typically increasing its margins. Thurman & O'Connell has approximately 70 employees. James Thurman, president of Thurman & O'Connell and a member of the executive committee of the IEC, will sign a five-year employment agreement with IES to continue his present position following consummation of the Offering.

HATFIELD. Hatfield was founded in 1984 and operates in the greater Phoenix area from its offices in Scottsdale, Arizona. Hatfield had revenues of approximately \$5.8 million in fiscal 1996, primarily from commercial and industrial contracting and, to a lesser extent, from commercial and industrial maintenance services. Hatfield has specialized expertise in electrical contracting for cellular telephone sites and maintains the necessary state licenses to perform such services in Arizona and four adjacent states. Hatfield has approximately 80 employees. Harvey Friedman, founder and president of Hatfield and a member of the executive committee of the IEC, will sign a five-year employment agreement with IES to continue his present position following consummation of the Offering.

ACE. Ace was founded in 1975 in Valdosta, Georgia. Ace had revenues of approximately \$4.2 million in fiscal 1996, primarily from commercial and industrial contracting and, to a lesser extent, from commercial and industrial maintenance services. Ace has specialized expertise in prefabrication of electrical components,

which it uses to accelerate the completion time for its construction projects. Ace has approximately 70 employees. Robert Stalvey and Thomas Stalvey, founders and officers of Ace, will sign five-year employment agreements with IES to continue their present positions following consummation of the Offering. Robert Stalvey will also become a director of the Company following consummation of the Offering.

REYNOLDS. Reynolds was founded in 1973 in Phoenix, Arizona. Reynolds had revenues of approximately \$6.6 million in fiscal 1996, primarily from commercial and industrial contracting. Reynolds has specialized expertise in value engineering for design-and-build projects. Reynolds has approximately 90 employees. Ernie Reynolds, president of Reynolds, will sign a five-year employment agreement with IES to continue his present position following consummation of the Offering.

POPP. Popp was founded in 1984 in Cincinnati, Ohio, and operates in Ohio and northern Kentucky. Popp had revenues of approximately \$3.4 million in fiscal 1996, primarily from commercial and industrial contracting. Design-and-build projects accounted for a significant portion of 1996 revenues. Popp uses computer-aided-design technology and has also developed software enhancements for its design-and-build projects. Popp has approximately 50 employees. Thomas Popp, co-founder and president of Popp, and William Beischel, co-founder and vice president of Popp, will sign five-year employment agreements with IES to continue their present positions following consummation of the Offering.

RODGERS. Rodgers was founded in 1977 and is headquartered in Everett, Washington and operates in Everett and the north Puget Sound area. Rodgers had revenues of approximately \$1.6 million in fiscal 1996, primarily from electrical maintenance and service work and commercial and industrial contracting. Rodgers has specialized expertise in computer-aided-design technology and focuses on design-and-build projects undertaken on negotiated rather than bid terms. Rodgers has approximately 20 employees. Terry Earnheart, president of Rodgers, will sign a five-year employment agreement with IES to continue his present position following consummation of the Offering.

Integrated Electrical Services, Inc. was incorporated in Delaware in June 1997. Its executive offices are located at 2301 Preston, Houston, Texas 77003, and its telephone number is (713) 222-1875.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the shares of Common Stock offered hereby (assuming an initial public offering price of \$14.00 per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company) are estimated to be approximately \$87.1 million (approximately \$100.8 million if the Underwriters' over-allotment option is exercised in full).

Of the \$87.1 million net proceeds, the Company estimates that approximately \$57.5 million (subject to adjustment based on the initial public offering price of the Common Stock) will be used to pay the cash portion of the Acquisitions Consideration, all of which will be paid to former stockholders and other equity owners of the Founding Companies. In addition, approximately \$4.6 million of the net proceeds will be used to repay the estimated outstanding indebtedness of the Founding Companies at the closing of the Offering. The estimated outstanding indebtedness to be repaid from the proceeds of the Offering bears interest at a weighted average interest rate of approximately 8.0% and matures at various dates from December 1997 through October 2012. Prior to the Acquisitions certain of the Founding Companies will incur approximately \$10.9 million in indebtedness to their stockholders relating to the payment of S Corporation Distributions. See "Certain Transactions."

The approximately \$25.0 million of remaining net proceeds will be used for working capital and for general corporate purposes, which are expected to include future acquisitions. Pending such uses, the Company intends to invest the net proceeds of the Offering in short-term, investment-grade, interest-bearing securities. While the Company is continuously considering possible acquisition prospects as part of its growth strategy, the Company is not presently engaged in active negotiations with respect to any particular acquisition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Combined Liquidity and Capital Resources."

The Company is currently negotiating with a group of commercial banks to provide the Company with a credit facility that may be used for acquisitions, working capital and other general corporate purposes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Combined Liquidity and Capital Resources."

DIVIDEND POLICY

The Company currently intends to retain its future earnings, if any, to finance the growth, development and expansion of its business and, accordingly, does not currently intend to declare or pay any dividends on the Common Stock for the foreseeable future. The declaration, payment and amount of future dividends, if any, will be at the discretion of the Company's Board of Directors after taking into account various factors, including, among others, the Company's financial condition, results of operations, cash flows from operations, current and anticipated capital requirements and expansion plans, the income tax laws then in effect and the requirements of Delaware law. In addition, the terms of any credit facility may prohibit the payment of dividends by the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Combined Liquidity and Capital Resources."

Prior to the Acquisitions, certain of the Founding Companies will make S Corporation Distributions aggregating \$17.8 million and other distributions of non-operating assets to their former stockholders. In order to fund these distributions, the Company will borrow approximately \$10.9 million.

CAPITALIZATION

The following table sets forth the current maturities of long-term debt and the capitalization as of June 30, 1997 of (i) the Company on a pro forma combined basis after giving effect to the Acquisitions and related transactions, and (ii) the Company on a pro forma basis, as adjusted to give effect to the Offering and the application of the estimated net proceeds therefrom. See "Use of Proceeds." This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Combined Liquidity and Capital Resources" and the Unaudited Pro Forma Financial Statements of the Company and the notes thereto, included elsewhere in this Prospectus.

	JUNE 30, 1997	
	PRO FORMA COMBINED(A)	PRO FORMA AS ADJUSTED(B)
(IN THOUSANDS)		
Current maturities of long-term debt.....	\$61,590(c)	\$ 288
Long-term debt, net of current maturities.....	\$12,204(d)	\$ 11,445
Stockholders' equity:		
Preferred Stock: \$0.01 par value, 10,000,000 shares, authorized; no shares issued and outstanding.....	--	--
Common Stock: \$0.01 par value, 100,000,000 shares authorized; 13,709,628 issued and outstanding, pro forma combined; and 20,709,628 shares issued and outstanding, as adjusted(e).....	137	207
Restricted Common Stock: \$0.01 par value, 2,655,709 shares authorized, issued and outstanding(f).....	26	26
Additional paid-in capital.....	67,963	155,033
Retained earnings.....	7,547	7,547
Total stockholders' equity.....	75,673	162,813
Total capitalization.....	\$87,877	\$174,258

- (a) Combines the respective accounts of IES and the Founding Companies as reflected in the Unaudited Pro Forma Combined Balance Sheet as of June 30, 1997 prior to the Offering.
- (b) Adjusted to reflect the sale of 7,000,000 shares of Common Stock offered hereby and the application of the estimated net proceeds therefrom. See "Use of Proceeds."
- (c) Includes \$57.5 million of notes payable to owners of the Founding Companies, representing the cash portion of the Acquisitions Consideration to be paid from a portion of the net proceeds of the Offering. The cash portion of the Acquisitions Consideration will be adjusted based on the initial public offering price of the Common Stock offered hereby.
- (d) Includes \$10.9 million in long-term debt generated to fund the S Corporation Distributions.
- (e) Excludes 300,000 shares related to stock options which are currently outstanding and shares related to approximately 2,100,000 stock options which are expected to be granted upon consummation of the Offering.
- (f) All of such shares of Restricted Common Stock will be issued to the founder of IES. See "Description of Common Stock."

DILUTION

At June 30, 1997, after giving effect to the Acquisitions as if they had occurred at such date, the deficit in pro forma combined net tangible book value of the Company would have been \$38.6 million, or approximately \$(2.36) per share. The deficit in pro forma combined net tangible book value is equal to the aggregate net tangible book value (tangible assets less total liabilities) of the Company after giving effect to the Acquisitions. The number of shares used for the per share calculation includes the 16,365,337 shares outstanding after the Acquisitions but prior to the Offering. After giving effect to the Acquisitions and the sale by the Company of the 7,000,000 shares of Common Stock offered hereby (assuming an initial public offering price of \$14.00 per share and after deducting underwriting discounts and commissions and estimated Offering expenses payable by the Company), the pro forma combined net tangible book value of the Company would have been \$48.5 million, or \$2.08 per share. This represents an immediate increase in pro forma net tangible book value of \$4.44 per share to existing stockholders and an immediate dilution in net tangible book value of \$11.92 per share to new investors purchasing the shares of Common Stock in the Offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share.....	\$14.00
Pro forma combined net tangible book value per share prior to the Offering.....	\$(2.36)
Increase in pro forma net tangible book value per share attributable to new investors.....	4.44

Pro forma combined net tangible book value per share after the Offering.....	2.08

Dilution in net tangible book value per share to new investors.....	\$11.92
	=====

The following table sets forth on a pro forma basis, after giving effect to the Acquisitions as of June 30, 1997, the number of shares of Common Stock purchased from the Company, the total consideration to the Company and the average price per share paid to the Company by (i) existing stockholders (ii) stockholders of the Founding Companies and (iii) the new investors purchasing Common Stock from the Company in the Offering at the assumed initial offering price of \$14.00 per share (before deducting underwriting discounts and commissions and estimated offering expenses):

	SHARES PURCHASED		TOTAL CONSIDERATION	AVERAGE PRICE PER SHARE
	NUMBER	PERCENT		
Existing stockholders and stockholders of Founding Companies(a)(b).....	16,365,337	70.0%	\$(38,581,025)	\$(2.36)
New investors.....	7,000,000	30.0	98,000,000	14.00
	-----	-----	-----	-----
Total.....	23,365,337	100.0%	\$ 59,418,975	
	=====	=====	=====	

(a) See "Certain Transactions" for a discussion of the issuance of Common Stock to the founder of IES and certain management of IES.

(b) Total consideration paid by Founding Company stockholders represents the combined stockholders' equity of the Founding Companies before the Offering, adjusted to reflect: (i) the payment of the estimated \$57.5 million in cash to the stockholders of the Founding Companies as part of the Acquisitions Consideration; (ii) the S Corporation Distributions and (iii) the transfer of certain nonoperating assets and liabilities to the stockholders of the Founding Companies with an approximate net book value of \$3.0 million in connection with the Acquisitions. See "Certain Transactions."

SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

IES will acquire the Founding Companies simultaneously with and as a condition to the consummation of the Offering. For financial statement presentation purposes, however, Houston-Stafford has been identified as the "accounting acquiror." The following selected historical financial data for Houston-Stafford as of December 31, 1994 and 1995 and for the years ended December 31, 1994, 1995 and 1996 have been derived from audited financial statements of Houston-Stafford included elsewhere in this Prospectus and reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of such data. The selected historical financial data for the six months ended June 30, 1996 and 1997, and for December 31, 1992 and 1993 and for the years ended December 31, 1992 and 1993, have been derived from the unaudited financial statements of Houston-Stafford, which have been prepared on the same basis as the audited financial statements and, in the opinion of Company management, reflect all adjustments consisting of normal recurring adjustments, necessary for a fair presentation of such data. The results of operations for the six months ended June 30, 1997 should not be regarded as indicative of the results that may be expected for the full year.

The summary unaudited pro forma combined financial data below present certain data for the Company, adjusted for (i) the Acquisitions, (ii) the effects of certain other pro forma adjustments to the historical financial statements and (iii) the consummation of the Offering and the application of the net proceeds therefrom. The unaudited pro forma combined income statement data assume that the Acquisitions, the Offering and related transactions were closed on October 1, 1995, and are not necessarily indicative of the results that the Company would have obtained had these events actually occurred at that date or indicative of the Company's future results. During the periods presented below, the Founding Companies were not under common control or management and, therefore, the data presented may not be comparable to or indicative of post-combination results to be achieved by the Company. The unaudited pro forma combined income statement data are based on preliminary estimates, available information and certain assumptions that management deems appropriate and should be read in conjunction with the other financial information included elsewhere in this Prospectus. See the Unaudited Pro Forma Combined Financial Statements and the notes thereto, included elsewhere in this Prospectus.

	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30,	
	1992	1993	1994	1995	1996	1996	1997
HISTORICAL INCOME STATEMENT DATA --							
HOUSTON-STAFFORD:							
Revenues.....	\$28,939	\$32,363	\$48,001	\$54,082	\$70,493	\$35,299	\$37,508
Cost of services (including depreciation).....	25,781	29,307	42,163	46,712	57,662	29,162	30,098
Gross profit.....	3,158	3,056	5,838	7,370	12,831	6,137	7,410
Selling, general and administrative expenses.....	2,892	2,720	5,319	6,027	7,810	2,730	4,982
Income from operations.....	266	336	519	1,343	5,021	3,407	2,428
Interest and other income (expense), net.....	(66)	(83)	(71)	(196)	(40)	(39)	(8)
Income before income taxes.....	200	253	448	1,147	4,981	3,368	2,420
Provision for income taxes.....	14	56	186	416	1,934	1,213	942
Net income.....	\$ 186	\$ 197	\$ 262	\$ 731	\$ 3,047	\$ 2,155	\$ 1,478

	YEAR ENDED SEPTEMBER 30, 1996	NINE MONTHS ENDED JUNE 30, 1997
PRO FORMA COMBINED:		
Revenues.....	\$ 272,236	\$ 226,210
Cost of services (including depreciation).....	216,382	178,287
Gross profit.....	55,854	47,923
Selling, general and administrative expenses(a).....	28,546	26,729
Goodwill amortization(b).....	2,857	2,143
Income from operations.....	24,451	19,051
Interest and other income (expense), net(c).....	(31)	(74)
Income before income taxes.....	24,420	18,977
Provision for income taxes.....	10,436	8,076
Net income(d).....	\$ 13,984	\$ 10,901
Net income per share.....	\$ 0.64	\$ 0.50

Shares used in computing pro forma net income per
share(e).....

21,693,969
=====

21,693,969
=====

HISTORICAL (HOUSTON-STAFFORD)

	DECEMBER 31,					JUNE 30, 1997	JUNE 30, 1997 PRO FORMA(F)	
	1992	1993	1994	1995	1996		COMBINED	AS ADJUSTED(G)(H)
BALANCE SHEET DATA:								
Working capital.....	\$1,845	\$2,001	\$1,968	\$2,675	\$ 4,671	\$ 4,292	\$(36,116)(i)	\$ 50,265
Total assets.....	5,570	5,740	8,809	9,357	13,226	22,161	199,247	224,326
Long-term debt, net of current maturities.....	719	505	927	634	1,295	1,139	12,204	11,445
Total stockholders' equity.....	2,224	2,325	1,952	3,104	5,351	6,829	75,673	162,813

- (a) The unaudited pro forma combined income statement data reflect an aggregate of approximately \$6.0 million and \$4.5 million for the year ended September 30, 1996 and the nine months ended June 30, 1997, respectively, in pro forma reductions in salary, bonus and benefits of the owners of the Founding Companies to which they have agreed prospectively, and the effect of revisions of certain lease agreements between the Founding Companies and certain stockholders of the Founding Companies. See "Certain Transactions."
- (b) Reflects amortization of the goodwill to be recorded as a result of the Acquisitions over a 40-year period and computed on the basis described in the notes to the Unaudited Pro Forma Combined Financial Statements.
- (c) Reflects the reduction for interest expense of \$0.7 million and \$0.5 million for the year ended September 30, 1996 and the nine months ended June 30, 1997, respectively, to the repayment of \$4.6 million of historical debt with proceeds from the Offering and other debt distributed prior to the Acquisitions, net of additional interest expense discussed in (h) below. Additionally, reflects a \$250,000 and \$222,000 reduction in minority interest expense for the year ended September 30, 1996 and the nine months ended June 30, 1997, respectively.
- (d) Assumes all pretax income before non-deductible goodwill and other permanent items is subject to a 38% overall tax rate.
- (e) Includes (i) 12,313,026 shares to be issued to the owners of the Founding Companies, (ii) 1,396,602 shares issued to the management of IES, (iii) 2,655,709 shares of Restricted Common Stock issued to the founder of IES and (iv) 5,208,632 of the 7,000,000 shares sold in the Offering necessary to pay the cash portion of the Acquisitions Consideration and the Offering expenses. Includes 120,000 shares computed under the treasury stock method related to 300,000 options which are currently outstanding, but excludes options to purchase 2,100,000 shares which are expected to be granted upon consummation of the Offering. See "Description of Capital Stock."
- (f) Reflects the Acquisitions and related transactions as if they had occurred on June 30, 1997 as described in the notes to the Unaudited Pro Forma Combined Financial Statements. The unaudited pro forma combined balance sheet data are based upon preliminary estimates, available information and certain assumptions that management deems appropriate and should be read in conjunction with the historical financial statements, and notes thereto, included elsewhere in this Prospectus.
- (g) Reflects the closing of the Offering and the Company's application of the net proceeds therefrom to fund the cash portion of the Acquisitions Consideration and to repay certain indebtedness of the Founding Companies. See "Use of Proceeds" and "Certain Transactions."
- (h) A number of the Founding Companies have historically elected S corporation status for tax purposes. In connection with the Acquisitions, these Founding Companies will make S Corporation Distributions. In order to fund these distributions, the Company will distribute \$4.4 million of cash, distribute \$2.5 million of nonoperating assets, net of liabilities, and borrow approximately \$10.9 million. Accordingly, pro forma interest expense has been increased by \$1.0 million for the year ended September 30, 1996 and \$0.7 million for the nine months ended June 30, 1997 and pro forma stockholders' equity has been reduced by approximately \$17.8 million. Additionally, approximately \$3.0 million of nonoperating assets, net of liabilities, will be distributed by other Founding Companies prior to the Acquisitions.
- (i) Includes the estimated \$57.5 million in notes payable to owners of the Founding Companies, representing the cash portion of the Acquisitions Consideration to be paid from a portion of the net proceeds from the Offering. See "Pro Forma -- As Adjusted" amounts. The cash portion of the Acquisitions Consideration will be adjusted based on the initial public offering price of the Common Stock offered hereby.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion should be read in conjunction with the Founding Companies' Financial Statements and related notes thereto and "Selected Financial Data" appearing elsewhere in this Prospectus.

The Company's revenues are derived primarily from electrical construction and maintenance services provided to commercial, industrial and residential customers. Approximately 62% of the Company's pro forma combined 1996 revenues were from commercial and industrial work, approximately 25% were from residential work, and approximately 13% was derived from electrical maintenance work. In addition, approximately 87% of the Company's pro forma combined 1996 revenues of \$272 million were derived from new construction and renovation and approximately 13% were attributable to maintenance (including repair and replacement). Revenues from fixed price construction and renovation contracts are generally accounted for on a percentage-of-completion basis, using the cost-to-cost method. The cost-to-cost method measures the percentage completion of a contract based on total costs incurred to date compared to total estimated costs at completion. Maintenance revenues are recognized as the services are performed.

Cost of services consists primarily of salaries and benefits of employees, subcontracted services, materials, parts and supplies, depreciation, fuel and other vehicle expenses and equipment rentals. The Company's gross margin, which is gross profit expressed as a percentage of revenues, depends on the relative proportions of costs related to labor and materials. On jobs in which a higher percentage of the cost of services consists of labor costs, the Company typically achieves higher gross margins than on jobs where materials represent more of the cost of services. Materials costs can be calculated with relatively more accuracy than labor costs, and the Company seeks to maintain higher margins on its labor-intensive projects to compensate for the potential variability of labor costs for these projects. Selling, general and administrative expenses consist primarily of compensation and related benefits for owners, administrative salaries and benefits, advertising, office rent and utilities, communications and professional fees. Certain owners and certain key employees of the Founding Companies have agreed to reductions in their compensation and related benefits totaling \$6.0 million in fiscal 1996 in connection with the Acquisitions. Such reductions in salaries, bonuses and benefits have been reflected as a pro forma adjustment in the Unaudited Pro Forma Combined Statement of Operations and are reflected in the terms of employment agreements with the Company.

The Company believes that it will realize savings from (i) consolidation of insurance and bonding programs; (ii) reduction in other general and administrative expenses, such as training and advertising; (iii) the Company's ability to borrow at lower interest rates than most, if not all, of the Founding Companies; (iv) consolidation of operations in certain locations and (v) greater volume discounts from suppliers of materials, parts and supplies. Offsetting these savings will be costs related to the Company's new corporate management, being a public company and integrating the Acquisitions.

In September 1997, the Company sold an aggregate of 1,396,602 shares of Common Stock to management and will record (for financial statement presentation purposes) a non-recurring, non-cash compensation charge of \$12.7 million in September 1997 relating to such sale. This non-recurring compensation charge is not included in the Unaudited Pro Forma Combined Financial Statements.

As a result of the Acquisitions, \$114.3 million, representing the excess of the consideration paid over the fair value of the net assets to be acquired, will be recorded as goodwill on the Company's balance sheet. Goodwill will be amortized as a non-cash charge to the income statement over a 40-year period. The pro forma impact of this amortization expense, which is substantially non-deductible for tax purposes, is \$2.9 million per year on an after-tax basis.

SUPPLEMENTAL UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following supplemental unaudited pro forma combined financial information for the periods presented do not purport to present those of the combined Founding Companies in accordance with generally

accepted accounting principles, but represent merely a summation of the revenues, cost of sales and gross profit of the individual Founding Companies on a historical basis and excludes the effects of the pro forma adjustments that are included in the Unaudited Pro Forma Combined Statements appearing elsewhere in this Prospectus. Selling, general and administrative expenses for periods prior to the Acquisitions reflect the effects of distributions to the owners of the Founding Companies. The data will not be comparable to, and may not be indicative of, the Company's post-combination results of operations because (i) the Founding Companies were not under common control or management and had different tax structures (generally, S corporations or partnerships) during the periods presented, (ii) the Company will use the purchase method to establish a new basis of accounting to record the Acquisitions, (iii) the Company will incur incremental costs for its corporate management and the costs of being a public company and (iv) the combined data do not reflect the potential benefits and cost savings the Company expects to realize when operating as a combined entity.

The following table sets forth certain supplemental unaudited pro forma combined financial information for the periods indicated:

	FISCAL YEARS ENDED(A)						NINE MONTHS ENDED	
	1994		1995		1996		JUNE 30, 1997	
	(IN THOUSANDS)							
Revenues.....	\$181,205	100%	\$211,626	100%	\$272,236	100%	\$226,210	100%
Cost of services.....	149,698	83	172,417	81	216,382	79	178,287	79
Gross profit.....	31,507	17	39,209	19	55,854	21	47,923	21
Selling, general and administrative expenses.....	23,752	13	28,506	13	34,528	13	31,215	14
Income from operations.....	\$ 7,755	4%	\$ 10,703	6%	\$ 21,326	8%	\$ 16,708	7%

(a) The fiscal years and interim periods presented are the year ended December 31, for all Founding Companies, except for Pollock and Hatfield, for which the fiscal years presented are the years ended October 31, 1994, 1995 and 1996; Rodgers, for which the fiscal years presented are the years ended September 30, 1994, 1995 and 1996; and Summit, for which the fiscal years presented are the years ended March 31, 1995, 1996 and 1997.

Pro Forma Combined Results for the year ended September 30, 1996, compared to the year ended September 30, 1995.

Revenues increased approximately \$60.6 million, or 29% from \$211.6 million for the year ended September 30, 1995 to \$272.2 million for the year ended September 30, 1996. The increase in combined revenues occurred primarily at Houston-Stafford, Mills and Bexar-Calhoun. Houston-Stafford's revenues increased \$16.4 million, or 30% from 1995 to 1996, primarily due to an overall increase in market demand and new contractual arrangements for Houston-Stafford to be the sole or primary provider of electrical installation services for certain residential contractors. Mills' revenues increased \$30.1 million, or 86% from 1995 to 1996, primarily due to the acquisition of Fort Worth Regional Electrical Systems, L.L.C. ("Regional Electric") in June 1996 (which represents approximately \$5.2 million of 1996 revenues), an increase in market demand for large industrial construction contracts for manufacturing and distribution facilities in the greater Dallas area, and a 30% increase in maintenance and service revenues. Bexar-Calhoun's revenues increased \$5.3 million, or 19% from 1995 to 1996, as certain personnel were reassigned to the growing markets around Laredo and New Braunfels, Texas, resulting in a \$3.6 million increase in revenues in these two markets between 1995 and 1996. Of the remaining 12 Founding Companies, seven reported an increase in revenues, one reported relatively constant revenues and four recorded a decline in revenues between 1995 and 1996. The most significant decline in revenue of \$2.0 million occurred at Ace, where an unusually high demand for design-and-build projects in Valdosta, Georgia in 1995 did not recur in 1996. The most significant increase in revenues among these other Founding Companies of \$4.2 million or 43% occurred at Amber due to an increase in large commercial projects on shopping malls and grocery stores in central Florida.

Gross profit increased \$16.6 million, or 42% from \$39.2 million for the year ended September 30, 1995, to \$55.9 million for the year ended September 30, 1996. Gross margin increased to 21% in 1996 from 19% in 1995. The increase in combined gross profit occurred primarily due to increases in gross profit of \$5.4 million or 74% at Houston-Stafford, \$7.0 million or 89% at Mills, and \$1.3 million or 18% at Bexar-Calhoun. Houston-Stafford's gross margin increased from 14% in 1995 to 18% in 1996, Mills' gross margin increased from 22% in 1995 to 23% in 1996, and Bexar-Calhoun's gross margin remained constant at 24% in 1995 and 1996. The increases in Houston-Stafford's gross profit and gross margin are primarily attributed to favorable pricing associated with increased demand and higher discounts on certain long-term material purchase commitments. Mills' gross profit and gross margin increases are primarily attributed to the acquisition of Regional Electric, increased demand for complex industrial contracts, and an increase in higher margin maintenance service revenues. Bexar-Calhoun's gross profit and gross margin increased as a result of its overall increase in business volume.

Selling, general and administrative expenses increased 21% from \$28.5 million in 1995 to \$34.5 million in 1996. This increase occurred primarily due to increases in selling, general and administrative expenses of \$1.8 million at Houston-Stafford and \$2.9 million at Mills. The increase in Houston-Stafford's selling, general and administrative expenses was primarily attributed to the addition of infrastructure associated with its growth. Mills' increase in selling, general and administrative expenses was attributed to increased business volume, including that related to the acquisition of Regional Electric, and increases in discretionary bonus and savings plan distributions.

Pro Forma Combined Results for the year ended September 30, 1995 compared to the year ended September 30, 1994.

Revenues increased \$30.4 million, or 17% from \$181.2 million for the year ended September 30, 1994, to \$211.6 million for the year ended September 30, 1995. The increase in combined revenues occurred primarily at Houston-Stafford, Mills and Bexar-Calhoun. Houston-Stafford's revenues increased \$6.1 million, or 13% from 1994 to 1995, primarily due to an overall increase in demand and a new contract under which Houston-Stafford is the sole or primary provider of electrical installation services for a multifamily residential contractor. Mills' revenues increased \$9.8 million, or 38% from 1994 to 1995, primarily due to increased demand for higher margin industrial contracting services and a 61% increase in maintenance and service revenues. Bexar-Calhoun's revenues increased \$4.5 million, or 20% from 1994 to 1995, due to an increase in retail construction activity in San Antonio.

Of the remaining 12 Founding Companies, seven reported an increase in revenues, two reported relatively constant revenues and three reported a decline in revenues between 1994 and 1995. The most significant decline in revenues of \$1.3 million occurred at Hatfield, where an unusually large \$2.0 million contract was completed in 1994 and no comparable contract was performed in 1995. The most significant increase in revenue among these other Founding Companies of \$2.6 million occurred at Ace due to an unusually high demand for design-and-build commercial projects in 1995 as compared to 1994.

Gross profit increased \$8.0 million, or 26% from \$31.2 million for the year ended September 30, 1994, to \$39.2 million for the year ended September 30, 1995. Gross margin increased to 19% in 1995 from 17% in 1994. The increase in combined gross profit occurred primarily due to increases in gross profit of \$1.6 million or 26% at Houston-Stafford, \$3.3 million or 71% at Mills, and \$1.5 million or 30% at Bexar-Calhoun. Houston-Stafford's gross margin increased from 12% in 1994 to 14% in 1995, Mills' gross margin increased from 18% in 1994 to 22% in 1995, and Bexar-Calhoun's gross margin increased from 22% in 1994 to 24% in 1995, respectively. The increase in Houston-Stafford's gross profit and gross margin are primarily attributed to favorable pricing related to increased demand. Mills' gross profit and gross margin increases are primarily attributed to increased market demand for complex industrial contracts, and an increase in higher margin maintenance and service revenues. Bexar-Calhoun's gross profit and gross margin increased as a result of higher margin retail construction contracts in San Antonio, Texas.

Selling, general and administrative expenses increased 22% from \$23.4 million in 1994 to \$28.5 million in 1995. The increase in combined selling, general and administrative expenses occurred primarily due to

increases in selling, general and administrative expenses of \$0.7 million at Houston-Stafford, \$1.3 million at Mills and \$0.5 million at Bexar-Calhoun. The increase in Houston-Stafford's selling general and administrative expenses was attributed to the addition of infrastructure associated with its growth. Mills' increase in selling, general and administrative expenses was attributed to increased business volume and increases in discretionary bonus and savings plan distributions. Bexar-Calhoun's increase in selling, general and administrative expenses was attributed to the addition of infrastructure associated with Bexar-Calhoun's growth.

COMBINED LIQUIDITY AND CAPITAL RESOURCES

Upon consummation of the Acquisitions and after applying the estimated net proceeds of the Offering as discussed under "Use of Proceeds," the Company will have \$28.4 million of cash and cash equivalents, \$50.3 million of working capital and no outstanding indebtedness other than debt relating to S Corporation Distributions and capital lease capital expenditures obligations totaling \$11.7 million. The Founding Companies' historical indebtedness of \$4.6 million is anticipated to be repaid from Offering proceeds.

On a combined basis, the Founding Companies generated \$17.0 million of cash from operating activities during 1996. Net cash used in investing activities was \$3.4 million on a combined basis and was primarily used for capital expenditures. Net cash used in financing activities was \$8.5 million on a combined basis and was primarily used for debt repayment and distributions.

The Company is currently negotiating with a group of banks to obtain a credit facility which would be available upon the closing of the Offering. According to the proposed terms, the Company would have an unsecured revolving line of credit that may be used for general corporate purposes, including post-Offering acquisitions, capital expenditures and working capital. The ability of the Company to secure the credit facility is subject to negotiations with potential lenders as well as the satisfaction of certain conditions, including the execution of appropriate loan documentation. In the event the credit facility is not available after this Offering, the Company believes that sufficient alternative sources of financing will be available on reasonable terms to the Company.

The Company anticipates that its cash flow from operations and proceeds from the Offering will provide sufficient cash to enable the Company to meet its working capital needs, debt service requirements and planned capital expenditures for property and equipment through 1998. On a combined basis, the Founding Companies made capital expenditures of \$4.8 million in fiscal 1996.

The Company intends to continue pursuing attractive acquisition opportunities. The timing, size or success of any acquisition effort and the associated potential capital commitments cannot be predicted. The Company expects to fund future acquisitions primarily with a portion of the net proceeds of the Offering, working capital, cash flow from operations and borrowings, including any unborrowed portion of the proposed credit facility, as well as issuances of additional equity.

Due to the relatively low levels of inflation experienced in fiscal 1994, 1995 and 1996, inflation did not have a significant effect on the results of the combined Founding Companies in those fiscal years.

HOUSTON-STAFFORD RESULTS OF OPERATIONS

Houston-Stafford was founded in 1973 and is headquartered in Stafford, Texas near Houston. It operates primarily in Texas, with other significant operations in Georgia, Virginia, Tennessee and Maryland.

The following table sets forth selected statement of operations data as a percentage of revenues for the periods indicated:

	YEARS ENDED DECEMBER 31,						SIX MONTHS ENDED JUNE 30,			
	1994		1995		1996		1996		1997	
	(IN THOUSANDS)									
Revenues.....	\$48,001	100%	\$54,082	100%	\$70,493	100%	\$35,299	100%	\$37,508	100%
Cost of services.....	42,163	88	46,712	86	57,662	82	29,162	83	30,098	80
Gross profit.....	5,838	12	7,370	14	12,831	18	6,137	17	7,410	20
Selling, general and administrative expenses.....	5,319	11	6,027	11	7,810	11	2,730	8	4,982	13
Income from operations.....	\$ 519	1%	\$ 1,343	3%	\$ 5,021	7%	\$ 3,407	9%	\$ 2,428	7%

Houston-Stafford results for the six months ended June 30, 1996 compared to six months ended June 30, 1997

Revenues increased \$2.3 million, or 6% from \$35.2 million for the six months ended June 30, 1996 to \$37.5 million for the six months ended June 30, 1997, primarily as a result of increased market demand and the acquisition of an electrical supply company effective in May 1997, offset by the effects of unusually rainy weather in Texas.

Gross profit increased \$1.3 million during the first six months of 1997 to \$7.4 million, and gross margin increased to 20% in 1997 from 17% in 1996 as a result of favorable pricing related to the increase in demand and higher discounts on certain long-term material purchase commitments.

Selling, general and administrative expenses increased 82% from \$2.7 million to \$5.0 million. The increase was attributable to an increase in bonuses for certain key employees and to a lesser degree higher insurance costs.

Houston-Stafford results for the year ended December 31, 1996 compared to the year ended December 31, 1995

Revenues increased \$16.4 million, or 30% from \$54.1 million for the year ended December 31, 1996, to \$70.5 million for the year ended December 31, 1996, primarily due to an overall increase in market demand and new contracts under which Houston-Stafford is the sole or primary provider of electrical installation services for certain significant residential contractors.

Gross profit increased \$5.4 million, or 74% from \$7.4 million for the year ended December 31, 1995 to \$12.8 million for the year ended December 31, 1996. Gross margin increased from 14% to 18% over these periods. The increase in gross profit amounts and percentages is primarily attributed to favorable pricing related to the increase in market demand and higher discounts on certain long-term material purchase commitments.

Selling, general and administrative expenses increased 30% from \$6.0 million to \$7.8 million. The increase was attributable to the addition of infrastructure necessary to support the company's growth and the establishment of a new merit bonus system. Selling, general, and administrative expenses as a percentage of revenues remained constant during 1996 when compared to 1995.

Houston-Stafford results for the year ended December 31, 1995 compared to the year ended December 31, 1994

Revenues increased \$6.1 million, or 13% from \$48.0 million for the year ended December 31, 1994, to \$54.1 million for the year ended December 31, 1995, due to increased market demand and a new contract where the company is the sole or primary provider of electrical contracting services for a significant multi-family residential contractor.

Gross profit increased \$1.6 million, or 26% from \$5.8 million for the year ended December 31, 1994 to \$7.4 million for the year ended December 31, 1995. Gross margin increased from 12% to 14% over these periods due to favorable pricing partially offset by lower profits from government projects in 1995.

Selling, general and administrative expenses increased 14% in 1995 when compared to 1994 as a result of the additional infrastructure necessary to support the company's growth. Selling, general and administrative expenses as a percentage of revenues remained constant during 1995 when compared to 1994.

HOUSTON-STAFFORD LIQUIDITY AND CAPITAL RESOURCES

Houston-Stafford generated \$1.0 million of net cash from operating activities for the six months ended June 30, 1997. Net cash used in investing activities was approximately \$0.2 million, primarily for the purchase of fixed assets. Net cash provided by financing activities of \$0.2 million resulted from advances on Houston-Stafford's line of credit. Houston-Stafford had a \$3.1 million line of credit as of June 30, 1997 that expires in July 1998. At June 30, 1997, Houston-Stafford had \$0.4 million outstanding under their line of credit.

At June 30, 1997, Houston-Stafford had working capital of \$4.3 million and total debt of \$2.4 million.

Houston-Stafford generated \$2.7 million in net cash from operating activities for the year ended December 31, 1996. Net cash used in investing activities was approximately \$0.6 million for the purchase of fixed assets. Net cash used in financing activities was \$0.5 million for the year ended December 31, 1996 primarily as a result of the repayment of debt partially offset by additional borrowings.

At December 31, 1996 Houston-Stafford had working capital of \$5.2 million and total debt of \$1.7 million.

MILLS RESULTS OF OPERATIONS

Mills, headquartered in Dallas, Texas was founded in 1972 and operates primarily in the greater Dallas-Fort Worth area. Mills derives a significant portion of its revenues from higher margin design-and-build services and from data cabling and fire alarm systems.

The following table sets forth selected statement of operations data as a percentage of revenues for the periods indicated:

	YEARS ENDED DECEMBER 31,						SIX MONTHS ENDED JUNE 30,			
	1994		1995		1996		1996		1997	
	(IN THOUSANDS)									
Revenues.....	\$25,544	100%	\$35,250	100%	\$65,439	100%	\$27,902	100%	\$35,613	100%
Cost of services.....	20,937	82	27,372	78	50,535	77	22,089	79	29,636	83
Gross profit.....	4,607	18	7,878	22	14,904	23	5,813	21	5,977	17
Selling, general and administrative expenses.....	3,391	13	4,741	13	7,643	12	2,236	8	3,355	10
Income from operations.....	\$ 1,216	5%	\$ 3,137	9%	\$ 7,261	11%	\$ 3,577	13%	\$ 2,622	7%
	=====	===	=====	===	=====	===	=====	===	=====	===

Mills results for the six months ended June 30, 1996 compared to six months ended June 30, 1997

Revenues increased \$7.7 million, or 28% from \$27.9 million for the six months ended June 30, 1996 to \$35.6 million for the six months ended June 30, 1997, primarily as a result of the acquisition of Regional Electric, which specializes in commercial and industrial electrical contracting and fire alarm, data cabling and control system installation in the greater Fort Worth area.

Gross profit remained relatively constant during the first six months of 1997. Gross margin decreased from 21% to 17% due to a decrease in demand for higher margin, complex industrial work offset by an increase in market demand for lower margin commercial work.

Selling, general and administrative expenses increased 50% from \$2.2 million to \$3.4 million. The increase was attributable to additional personnel as a result of the acquisition of Regional Electric, and the addition of infrastructure associated with Mills' growth.

Mills results for the year ended December 31, 1996 compared to the year ended December 31, 1995

Revenues increased \$30.1 million, or 86% from \$35.3 million for the year ended December 31, 1995 to \$65.4 million for the year ended December 31, 1996, primarily due to the acquisition of Regional Electric in June of 1996 (which represents approximately \$5.2 million of 1996 revenues), an increase in market demand for large and complex industrial construction contracts for manufacturing and distribution facilities in the greater Dallas area for which only a select group of electrical contractors have the resources and expertise to bid and a 30% increase in maintenance and service revenues resulting from the Company's focus on increasing its maintenance and service revenues.

Gross profit increased \$7.0 million, or 89% from \$7.9 million for the year ended December 31, 1995 to \$14.9 million for the year ended December 31, 1996. Gross margin increased to 23% from 22% during this period due to an increase in higher margin maintenance and service work.

Selling, general and administrative expenses increased 61% from \$4.7 million to \$7.6 million. The increase was attributable to increased business volume, including that related to the acquisition of operations of Regional Electric and increases in discretionary bonus and savings plan distributions.

Mills results for the year ended December 31, 1995 compared to the year ended December 31, 1994

Revenues increased \$9.8 million, or 38% from \$25.5 million for the year ended December 31, 1994 to \$35.3 million for the year ended December 31, 1995, primarily due to increased market demand for higher margin new industrial contracting services and a 61% increase in maintenance and service revenues.

Gross profit increased \$3.3 million, or 71% from \$4.6 million for the year ended December 31, 1994 to \$7.9 million for the year ended December 31, 1995. Gross margin increased to 22% from 18% due to the increases in higher margin industrial contracting and maintenance service revenues.

Selling, general and administrative expenses increased 40% from \$3.4 million to \$4.7 million. The increase was attributable to increased business volume and increases in discretionary bonus and savings plan distributions.

MILLS LIQUIDITY AND CAPITAL RESOURCES

Mills used approximately \$2.2 million of net cash for operating activities for the six months ended June 30, 1997, primarily for working capital. Net cash used in investing activities was approximately \$0.7 million, primarily for the purchase of tools and equipment. At June 30, 1997, Mills had a \$2.0 million revolving line of credit available that expires June 1, 1999. At June 30, 1997, there were no outstanding draws against this line of credit.

At June 30, 1997, Mills had working capital of \$7.4 million and total debt obligations of \$0.5 million that relate to the acquisition of Regional Electric and certain capital leases.

Mills generated \$7.9 million in net cash from operating activities for the year ended December 31, 1996, as a result of the Company's increased profitability. Net cash used in investing activities was approximately \$0.6 million, representing \$0.9 million used for the purchase of property and equipment, partly offset by \$0.3 million, net, in collection of loans. Net cash used in financing activities was \$3.9 million for the year ended December 31, 1996, primarily for distribution of dividends to stockholders. At December 31, 1996, Mills had a \$2.0 million revolving line of credit that was originally scheduled to expire June 1, 1997 and was extended to June 1, 1999. At December 31, 1996, there were no outstanding draws against this line of credit.

At December 31, 1996, Mills had working capital of \$5.5 million and total debt obligations of \$0.6 million.

BEXAR-CALHOUN RESULTS OF OPERATIONS

Bexar was founded in 1966 and operates primarily in the areas around the cities of San Antonio, New Braunfels and Laredo, Texas. Calhoun was founded in 1958 and operates in the counties around San Antonio.

The following table sets forth selected statement of operations data as a percentage of revenues for the periods indicated:

	YEARS ENDED DECEMBER 31,						SIX MONTHS ENDED JUNE 30,			
	1994		1995		1996		1996		1997	
	(IN THOUSANDS)									
Revenues.....	\$23,168	100%	\$27,730	100%	\$33,023	100%	\$16,680	100%	\$16,311	100%
Cost of services.....	17,967	78	20,964	76	25,017	76	12,602	75	12,717	78
Gross profit.....	5,201	22	6,766	24	8,006	24	4,078	25	3,594	22
Selling, general and administrative expenses.....	3,091	13	3,637	13	3,686	11	1,816	11	1,859	11
Income from operations.....	\$ 2,110	9%	\$ 3,129	11%	\$ 4,320	13%	\$ 2,262	14%	\$ 1,735	11%
	=====	===	=====	===	=====	===	=====	===	=====	===

Bexar-Calhoun results for the six months ended June 30, 1996 compared to six months ended June 30, 1997

Revenues decreased \$0.4 million, or 2% from \$16.7 million in 1996 to \$16.3 million in 1997, primarily due to an increase in overall growth offset by the completion in 1996 of an unusually large electrical construction contract for a state university in Laredo, Texas.

Gross profit decreased \$0.5 million, or 12% from \$4.1 million in 1996 to \$3.6 million in 1997. Gross margin decreased from 25% in 1996 to 22% in 1997. The decrease in gross profit related to completion of the large state university contract in 1996 and gross margin declined due to a change in customer mix associated with a decrease in higher margin retail construction in San Antonio.

Selling, general and administrative expenses remained relatively constant from 1996 to 1997.

Bexar-Calhoun results for the year ended December 31, 1996 compared to the year ended December 31, 1995

Revenues increased \$5.3 million, or 19% from \$27.7 million in 1995 to \$33.0 million in 1996, primarily due to reassignment of certain personnel to Laredo and New Braunfels, Texas. Bexar-Calhoun realized a \$3.6 million increase in revenues in these two markets between 1995 and 1996, in part from a large electrical construction contract for a university in Laredo, Texas.

Gross profit increased \$1.3 million, or 18% from \$6.8 million in 1995 to \$8.0 million in 1996. Gross margin remained stable over these periods. The increase in gross profit was attributed to higher revenues.

Selling, general and administrative expenses did not significantly change from 1995 to 1996. Selling, general and administrative expenses declined as a percentage of revenue from 13% in 1995 to 11% in 1996.

Bexar-Calhoun results for the year ended December 31, 1995 compared to the year ended December 31, 1994

Revenues increased \$4.5 million, or 20% from \$23.2 million in 1994 to \$27.7 million in 1995, primarily due to a significant increase in the volume of Bexar-Calhoun's retail construction business in the San Antonio, Texas market.

Gross profit increased \$1.5 million, or 30% from \$5.2 million in 1994 to \$6.7 million in 1995. Gross margin increased from 22% in 1994 to 24% in 1995. Gross profit increased due to the revenue increase, while gross margin increased due to higher margin retail construction.

Selling, general and administrative expenses increased 18% from \$3.1 million in 1994 to \$3.6 million in 1995. The increase was attributable to the addition of infrastructure associated with Bexar-Calhoun's growth.

BEXAR-CALHOUN LIQUIDITY AND CAPITAL RESOURCES

Bexar-Calhoun generated \$2.2 million of net cash from operating activities for the six months ended June 30, 1997. Net cash used in investing activities was approximately \$1.2 million, primarily for additions to property, plant, and equipment and loans to stockholders. Net cash used in financing activities of \$0.8 million resulted from stockholder distributions net of debt repayments.

At June 30, 1997, Bexar-Calhoun had working capital of \$3.8 million and total debt of \$1.4 million.

Bexar-Calhoun generated \$2.7 million in net cash from operating activities for the year ended December 31, 1996, primarily from net income offset by growth in working capital. Net cash used in investing activities was approximately \$0.6 million for additions to property, plant, and equipment net of stockholder loan repayments. Net cash provided by financing activities was \$2.8 million for the year ended December 31, 1996 primarily as a result of stockholder distributions net of debt repayments.

At December 31, 1996 Bexar-Calhoun had working capital of \$3.7 million and total debt of \$1.0 million.

POLLOCK RESULTS OF OPERATIONS

Pollock was founded in 1983 and is headquartered in Houston, Texas. Pollock has specialized expertise in design-and-build projects.

The following table sets forth selected statement of operations data as a percentage of revenues for the periods indicated:

	YEARS ENDED OCTOBER 31,				EIGHT MONTHS ENDED JUNE 30,			
	1995		1996		1996		1997	
	(IN THOUSANDS)							
Revenues.....	\$13,002	100%	\$15,816	100%	\$8,160	100%	\$11,273	100%
Cost of services.....	10,602	82	13,534	86	7,242	89	9,480	84
Gross profit.....	2,400	18	2,282	14	918	11	1,793	16
Selling, general and administrative expenses.....	2,149	16	2,463	15	1,536	19	1,817	16
Income/(loss) from operations.....	\$ 251	2%	\$ (181)	(1)%	\$ (618)	(8)%	\$ (24)	--%

Pollock results for the eight months ended June 30, 1996 compared to eight months ended June 30, 1997

Revenues increased \$3.1 million, or 38% from \$8.2 million for the eight months ended June 30, 1996 to \$11.3 million for the eight months ended June 30, 1997, primarily due to an increase in large commercial contracts, increased data cabling work and higher revenues for service and small project work.

Gross profit increased \$0.9 million, or 95% from \$0.9 million for the eight months ended June 30, 1996 to \$1.8 million for the eight months ended June 30, 1997. Gross margin increased to 16% from 11% over these periods. The gross profit and gross margin increases in 1997 when compared to 1996 are primarily attributed to specific low margin or loss contracts in 1996 that did not recur in 1997.

Selling, general and administrative expenses increased 18% from \$1.5 million to \$1.8 million due to the addition of certain strategic management personnel. As a percent of revenues, selling, general and administrative expenses actually decreased in 1997 over 1996 by 3%.

Pollock results for the year ended October 31, 1996 compared to the year ended October 31, 1995

Revenues increased \$2.8 million, or 22% from \$13.0 million for the year ended October 31, 1995, to \$15.8 million for the year ended October 31, 1996, primarily due to an increase in commercial construction and the addition of data cabling services.

Gross profit decreased \$0.1 million, or 5% from \$2.4 million for the year ended October 31, 1995 to \$2.3 million for the year ended October 31, 1996. Gross margin decreased to 14% from 18% over these periods. These decreases were due to specific low margin or loss contracts in 1996.

Selling, general and administrative expenses increased 15% from \$2.1 million to \$2.5 million. The increase was attributable to an increase in management staff necessary to support the company's growth strategy, including the addition of data cabling expertise.

POLLOCK LIQUIDITY AND CAPITAL RESOURCES

Pollock used \$0.3 million of net cash for operating activities for the eight months ended June 30, 1997. Net cash used in investing activities was approximately \$1.1 million, primarily for increases in the leasing of capital assets. Net cash provided by financing activities of \$0.2 million resulted from additional short-term line of credit borrowings.

At June 30, 1997, Pollock had working capital of \$0.3 million and total debt of \$1.7 million.

Pollock used \$0.7 million in net cash from operating activities for the year ended October 31, 1996, primarily to fund working capital requirements. Net cash used in investing activities was approximately \$0.2 million for additions to property and equipment. Net cash provided by financing activities was \$0.7 million for the year ended October 31, 1996 primarily as a result of short-term line of credit borrowings.

At October 31, 1996 Pollock had working capital of \$0.5 million and total debt of \$1.5 million.

DANIEL RESULTS OF OPERATIONS

Daniel Electrical Contractors, Inc. was founded in 1986, is headquartered in Miami, Florida, and operates primarily in South Florida. Daniel Electrical of Treasure Coast Inc. was founded in 1995 and is headquartered in Vero Beach. In addition to commercial and industrial contracting, Daniel services high-end residential construction and repairs on a time-and-material basis, from both its Miami and Vero Beach, Florida locations.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

	YEARS ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,			
	1995		1996		1996		1997	
	(IN THOUSANDS)							
Revenues.....	\$12,049	100%	\$12,585	100%	\$5,134	100%	\$9,259	100%
Cost of services.....	11,725	97	9,713	77	3,979	78	6,294	68
Gross profit.....	324	3	2,872	23	1,155	22	2,965	32
Selling, general and administrative expenses.....	1,502	13	1,884	15	874	17	1,267	14
Income/(loss) from operations.....	\$(1,178)	(10)%	\$ 988	8%	\$ 281	5%	\$1,698	18%

Daniel results for the six months ended June 30, 1996 compared to six months ended June 30, 1997

Revenues increased \$4.2 million, or 80% from \$5.1 million for the six months ended June 30, 1996 to \$9.3 million for the six months ended June 30, 1997, primarily due to favorable pricing for negotiated contracts in process during the six months ended June 30, 1997.

Gross profit increased \$1.8 million, or 157%, from \$1.2 million for the six months ended June 30, 1996 to \$3.0 million for the six months ended June 30, 1997. Gross margin increased from 22% to 32%, primarily due to increased labor efficiencies and an increase in higher margin high-rise residential contracts.

Selling, general and administrative expenses increased \$0.4 million, or 45%, from \$0.9 million for the six months ended June 30, 1996 to \$1.3 million for the six months ended June 30, 1997, primarily due to increases in office salaries associated with increased revenues. As a percentage of revenues, selling, general and administrative expenses decreased from 17% to 14%.

Daniel results for the year ended December 31, 1996 compared to the year ended December 31, 1995

Revenues increased \$0.6 million, or 4%, from \$12.0 million for the year ended December 31, 1995 to \$12.6 million for the year ended December 31, 1996, primarily due to increased revenues from negotiated contracts in process during the year ended December 31, 1996.

Gross profit increased \$2.6 million, or 786%, from \$0.3 million for the year ended December 31, 1995 to \$2.9 million for the year ended December 31, 1996. Gross margin increased from 3% to 23%, as a result of cost overruns incurred in 1995 on certain projects and an increase in labor efficiencies and an increase in higher margin high-rise residential contracts.

Selling, general and administrative expenses increased \$0.4 million, or 25% from \$1.5 million for the year ended December 31, 1995 to \$1.9 million for the year ended December 31, 1996, as a result of the increase in revenues.

DANIEL LIQUIDITY AND CAPITAL RESOURCES

Daniel generated \$0.6 million in net cash from operating activities for the six months ended June 30, 1997, primarily due to an increase in accounts receivable and accounts payable, both of which represented offsets to net income generated during the period. Net cash used in investing activities was approximately \$0.3 million, principally for capital expenditures. Net cash used in financing activities was approximately \$0.4 million, principally for shareholder distributions net of long-term borrowings.

Working capital as of June 30, 1997 was \$3.7 million, and total debt outstanding was \$0.6 million, of which \$0.5 million was owed to a shareholder.

Daniel generated \$1.2 million in net cash from operating activities for the year ended December 31, 1996, primarily due to an increase in collections of deposits and billings on contracts in progress. Net cash used in investing activities was approximately \$0.5 million, principally for capital expenditures and increases in mutual fund investments. Net cash used in financing activities was approximately \$0.4 million, principally for debt repayments.

Working capital as of December 31, 1996 was \$2.4 million, and total debt outstanding was \$0.5 million, of which \$0.5 million was owed to a shareholder.

MUTH RESULTS OF OPERATIONS

Muth was founded in 1970 and has 7 offices located in South Dakota, including its headquarters in Mitchell. Muth also from time to time operates in Wyoming, Montana, Nebraska and Minnesota.

The following table sets forth selected statement of operations data as a percentage of revenues for the periods indicated:

	YEARS ENDED DECEMBER 31,						SIX MONTHS ENDED JUNE 30,			
	1994		1995		1996		1996		1997	
	(IN THOUSANDS)									
Revenues.....	\$13,466	100%	\$16,012	100%	\$16,830	100%	\$8,065	100%	\$8,308	100%
Cost of services.....	9,805	73	12,189	76	12,834	76	6,134	76	6,660	80
Gross profit.....	3,661	27	3,823	24	3,996	24	1,931	24	1,648	20
Selling, general and administrative expenses.....	2,678	20	2,923	18	2,957	18	1,455	18	1,567	19
Income from operations.....	\$ 983	7%	\$ 900	6%	\$ 1,039	6%	\$ 476	6%	\$ 81	1%

Muth results for the six months ended June 30, 1996 compared to six months ended June 30, 1997

Revenues increased \$0.2 million, or 3% from \$8.1 million for the six months ended June 30, 1996 to \$8.3 million for the six months ended June 30, 1997, due to a significant increase in market demand that was offset by work delays caused by the harsh winter, which lasted from November 1996 through early April 1997.

Gross profit decreased \$0.3 million, or 15% from \$1.9 million for the six months ended June 30, 1996 to \$1.6 million for the six months ended June 30, 1997. Gross margin decreased to 20% from 24% over these periods. The decreases in the gross profit and gross margin are solely attributed to the harsh winter and related work delays in early 1997.

Selling, general and administrative expenses increased 8% from \$1.5 million to \$1.6 million. The increase was attributable to the increase in market demand and related infrastructure costs.

Muth results for the year ended December 31, 1996 compared to the year ended December 31, 1995

Revenues increased \$0.8 million, or 5% from \$16 million for the year ended December 31, 1995 to \$16.8 million for the year ended December 31, 1996, due to increased market demands for electrical contracting services, slightly offset by delays caused by the harsh winter, which started in November 1996 and continued through early April 1997.

Gross profit increased \$0.2 million, or 5% from \$3.8 million for the year ended December 31, 1995 to \$4.0 million for the year ended December 31, 1996. There was no significant change in gross margin. The gross profit and gross margin increases in 1996 when compared to 1995 were attributed to increased margin on service work in 1996 and increased revenues.

Selling, general and administrative expenses remained constant over these periods.

Muth results for the year ended December 31, 1995 compared to the year ended December 31, 1994

Revenues increased \$2.5 million, or 19% from \$13.5 million for the year ended December 31, 1994 to \$16 million for the year ended December 31, 1995, primarily due to increased overall demand.

Gross profit increased \$0.1 million from \$3.7 million for the year ended December 31, 1994, to \$3.8 million for the year ended December 31, 1995. Gross margin decreased to 24% from 27% over these periods due to a lower and more normal mix of higher margin design-and-build projects in 1995.

Selling, general and administrative expenses increased 9% from \$2.7 million to \$2.9 million. The increase was due to an increase in administrative salaries attributable to the additional infrastructure associated with Muth's growth.

MUTH LIQUIDITY AND CAPITAL RESOURCES

Muth generated \$0.4 million of net cash from operating activities for the six months ended June 30, 1997. Net cash used in investing activities was approximately \$0.4 million, primarily for additions to property and

equipment. Net cash used in financing activities of \$0.4 million primarily related to distributions to stockholders.

At June 30, 1997, Muth had working capital of \$1.8 million and total debt of \$0.4 million. Muth currently has no long-term debt. Cash requirements increased in 1996 as a result of a higher proportion of government contracts, which typically have payment periods of 45 to 60 days rather than the 20-day period typical for private contracts.

Muth generated \$0.5 million in net cash from operating activities for the year ended December 31, 1996, primarily from earnings net of investments in working capital. Net cash used in investing activities was approximately \$0.4 million for additions to property and equipment. Net cash used by financing activities was \$0.1 million for the year ended December 31, 1996 primarily as a result of stockholder distributions in excess of borrowings.

At December 31, 1996 Muth had working capital of \$1.9 million and total debt of \$0.5 million.

AMBER RESULTS OF OPERATIONS

Amber was founded in 1979 and operates from its base near Orlando, Florida. Amber's revenues in fiscal 1996 were primarily from commercial and industrial contracting.

The following table sets forth selected statement of operations data as a percentage of revenues for the periods indicated:

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,		1996		1997	
	1995	1996	1996	1997	1996	1997	1996	1997
	(IN THOUSANDS)							
Revenues.....	\$9,728	100%	\$13,878	100%	\$6,881	100%	\$7,910	100%
Cost of services.....	8,635	89	12,215	88	5,564	81	5,765	73
Gross profit.....	\$1,093	11%	\$ 1,663	12%	\$1,317	19%	\$2,145	27%
Selling, general and administrative expenses.....	957	10	1,160	8	889	13	946	12
Income from operations...	\$ 136	1%	\$ 503	4%	\$ 428	6%	\$1,199	15%

Amber results for the six months ended June 30, 1996 compared to six months ended June 30, 1997

Revenues increased \$1.0 million, or 15% from \$6.9 million for the six months ended June 30, 1996 to \$7.9 million for the six months ended June 30, 1997, primarily from three larger than average retail construction contracts in 1997.

Gross profit increased \$0.8 million, or 63% from \$1.3 million in 1996 to \$2.1 million in 1997. Gross margin increased 8% over these periods. The improvement in gross margin was attributed to an increase in the number of commercial contracts with higher gross margins recognized.

Selling, general and administrative expenses remained relatively constant for the six months ended June 30, 1996 compared to the six months ended June 30, 1997.

Amber results for the year ended December 31, 1996 compared to the year ended December 31, 1995

Revenues increased \$4.2 million, or 43% from \$9.7 million in 1995 to \$13.9 million in 1996, primarily due to increased commercial construction of shopping malls and grocery stores in central Florida.

Gross profit increased \$0.6 million, or 52% from \$1.1 million in 1995 to \$1.7 million in 1996. Gross margin remained stable over these periods.

Selling, general and administrative expenses increased 21% from \$1.0 million in 1995 to \$1.2 million in 1996. The increase was attributable to increased management salaries associated with increased revenues.

AMBER LIQUIDITY AND CAPITAL RESOURCES

Amber generated \$0.4 million of net cash for operating activities for the six months ended June 30, 1997. Net cash used in investing activities was approximately \$0.2 million, primarily for additions of property and equipment. Net cash used in financing activities was not significant.

At June 30, 1997, Amber had working capital of \$1.2 million and total debt of \$0.7 million.

Amber generated \$0.7 million in net cash from operating activities for the year ended December 31, 1996, primarily for earnings and reductions in working capital. Net cash used in investing activities was approximately \$0.2 million for additions of property and equipment. Net cash provided by financing activities was not significant.

At December 31, 1996, Amber had working capital of \$0.6 million and total debt of \$0.7 million.

SUMMIT RESULTS OF OPERATIONS

Summit was founded in 1987 and is located in Houston, Texas. Summit's revenues in its fiscal year ended March 31, 1997 were primarily from commercial and industrial contracting. Summit has specialized expertise in data cable installation.

The following table sets forth selected statement of operations data as a percentage of revenues for the periods indicated:

	YEAR ENDED MARCH 31,		THREE MONTHS ENDED JUNE 30,			
	1997		1996		1997	
	----- (IN THOUSANDS) -----					
Revenues.....	\$10,565	100%	\$3,136	100%	\$3,043	100%
Cost of services.....	9,157	87	2,637	84	2,605	86
Gross profit.....	\$ 1,408	13%	\$ 499	16%	\$ 438	14%
Selling, general and administrative expenses.....	1,340	13	330	11	399	13
Income from operations.....	\$ 68	1%	\$ 169	5%	\$ 39	1%
	=====	===	=====	===	=====	===

Summit results for the three months ended June 30, 1996 compared to three months ended June 30, 1997

Revenues decreased \$0.1 million, or 3% from \$3.1 million for the three months ended June 30, 1996 to \$3.0 million for the three months ended June 30, 1997, primarily due to restrictions in growth of maintenance and repairs revenue attributed to a shortage in qualified electricians.

Gross profit decreased \$0.1 million, or 12% from \$0.5 million for the three months ended June 30, 1996 to \$0.4 million for the three months ended June 30, 1997. Gross margin decreased from 16% to 14% from 1996 to 1997. The decrease in gross profit was primarily attributed to the write-off of a receivable from a contractor which went bankrupt.

Selling, general and administrative expenses increased 21% from \$0.3 million to \$0.4 million. The increase was attributable to management bonuses, higher insurance and business promotional expenses.

SUMMIT LIQUIDITY AND CAPITAL RESOURCES

Summit used \$0.2 million of net cash for operating activities for the three months ended June 30, 1997. Net cash provided by financing activities of \$0.1 million resulted from long-term borrowings.

At June 30, 1997, Summit had working capital of \$0.6 million and total debt of \$0.1 million.

Summit generated near break-even levels of net cash from operating activities for the year ended March 31, 1997. Net cash used in investing activities was approximately \$0.2 million primarily for the purchase of service trucks. Net cash provided by financing activities was \$0.2 million for the year ended March 31, 1997 primarily as a result of long-term borrowings.

The following table sets forth selected statement of operations data as a percentage of revenues for the periods indicated:

	YEARS ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,			
	1995		1996		1996		1997	
	(IN THOUSANDS)							
Revenues.....	\$4,729	100%	\$4,551	100%	\$2,842	100%	\$2,254	100%
Cost of services.....	3,309	70	3,059	67	1,973	70	1,073	48
Gross profit.....	1,420	30	1,492	33	869	30	1,181	52
Selling, general and administrative expenses...	512	11	503	11	239	8	271	12
Income from operations....	\$ 908	19%	\$ 989	22%	\$ 630	22%	\$ 910	40%

Thurman & O'Connell results for the six months ended June 30, 1996 compared to six months ended June 30, 1997

Revenues decreased \$0.5 million, or 21% from \$2.8 million in 1996 to \$2.3 million in 1997, primarily due to the completion of a large multi-year hospital project in 1996.

Gross profit increased \$0.3 million, or 36% from \$0.9 million in 1996 to \$1.2 million in 1997 primarily due to favorable pricing on certain over budget projects on which the company shares in the cost savings its provides to its customers. Gross margin increased from 30% in 1996 to 52% in 1997 due to a large multi-year lower profit margin hospital project which was completed in 1996.

Selling, general and administrative expenses did not change significantly between 1997 and 1996. Thurman & O'Connell results for the year ended December 31, 1996 compared to the year ended December 31, 1995

Revenues decreased \$0.1 million, or 4% from \$4.7 million in 1995 to \$4.6 million in 1996, primarily due to the completion of a large multi-year hospital project in 1996.

Gross profit increased \$0.1 million or 5% from \$1.4 million in 1995 to \$1.5 million in 1996. Gross margin increased 3% from 30% in 1995 to 33% in 1996.

Selling, general and administrative expenses remained relatively constant between 1995 and 1996. THURMAN & O'CONNELL LIQUIDITY AND CAPITAL RESOURCES

Thurman & O'Connell generated \$0.8 million of net cash for operating activities for the six months ended June 30, 1997. Net cash used by financing activities of \$0.8 million resulted from distributions to stockholders.

At June 30, 1997, Thurman & O'Connell had working capital of \$1.4 million and total debt of \$0.1 million.

Thurman & O'Connell generated \$1.3 million in net cash from operating activities for the year ended December 31, 1996, primarily from earnings net of investments in working capital. Net cash used by financing activities was \$0.6 million for the year ended December 31, 1996 primarily as a result of distributions to stockholders and payments on debt.

At December 31, 1996 Thurman & O'Connell had working capital of \$1.3 million and total debt of \$0.1 million.

SEASONALITY AND QUARTERLY FLUCTUATIONS

The Company's results of operations 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 the Company's business is less subject to seasonal trends, as this work is performed inside structures protected from the weather. The Company's service business is not affected by seasonality. In addition, the construction industry has historically been highly cyclical. The Company's 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 the timing of acquisitions and the timing and magnitude of acquisition assimilation costs. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

BUSINESS

IES was founded in June 1997 to create a leading national provider of electrical contracting and maintenance services to the commercial, industrial and residential markets. Concurrently with the closing of the Offering, IES will acquire 15 electrical contracting and maintenance service companies and a related supply company with pro forma combined 1996 revenues of \$272 million, making it one of the largest providers of electrical contracting and maintenance services in the United States. Of such 1996 pro forma revenues, approximately 62% was derived from commercial and industrial work, approximately 25% was derived from residential work and approximately 13% was derived from electrical maintenance work. Combined revenues of the Founding Companies, which have been in business an average of 18 years, increased at an average compound annual growth rate of approximately 23% from 1994 through 1996.

The Company offers a broad range of electrical contracting services, including design and installation for both new and renovation projects in the commercial, industrial and residential markets. The Company also offers long-term and per-call maintenance services, which provide recurring revenues that are relatively independent of levels of construction activity. Typically, the Founding Companies specialize in either commercial and industrial or residential work, although a few of the Founding Companies have both commercial and industrial and residential operations.

In certain markets the Company offers design-and-build expertise and specialized services, which typically require specific skills and equipment and provide higher margins than general electrical contracting and maintenance services. In a design-and-build project, the electrical contractor applies in-house electrical engineering expertise to design the most cost-effective electrical system for a given structure, local code requirements and purpose. Specialized services offered by the Company include installations of wiring or cabling for the following: data cabling for computer networks; fiber optic cable systems; telecommunications systems; energy management systems which control the amount of power used in facilities; fire alarm and security systems; cellular phone transmission sites; "smart houses" that integrate computer, energy management, security, safety, comfort and telecommunication systems; lightning protection systems; clean rooms for fabrication of microprocessors and similar devices; computer rooms; back-up electrical systems and uninterruptible power supplies; high voltage transmission distribution and traffic signal systems.

INDUSTRY OVERVIEW

General. Virtually all construction and renovation in the United States generates demand for electrical contracting services. Depending upon the exact scope of work, electrical work generally accounts for approximately 8% to 12% of the total construction cost of the Company's commercial and industrial projects and 5% to 10% of the total construction cost of the Company's residential projects. In recent years, the Founding Companies have experienced a growing demand for electrical contracting services per project due to increased electrical code requirements, demand for additional electrical capacity, including increased capacity for computer systems, additional data cabling requirements and the construction of smart houses with integrated systems.

The overall electrical contracting industry, including commercial, industrial and residential markets, was estimated by the U.S. Census to have generated annual revenues in excess of \$40 billion in 1992, the most recent available U.S. Census data. Based on this Census data, the electrical contracting industry is highly fragmented with more than 54,000 companies, most of which are small, owner-operated businesses, performing various types of electrical work. The Company believes there are significant opportunities for a well-capitalized national company to provide comprehensive electrical contracting and maintenance services and that the fragmented nature of the electrical contracting industry will provide significant opportunities to consolidate commercial and industrial and residential electrical contracting and maintenance businesses.

Commercial and Industrial Market. Commercial and industrial consumers of electrical contracting and maintenance services include a broad range of customers, including general contractors; developers; consulting engineers; architects; owners and managers of large retail establishments, office buildings, apartments and condominiums; theaters and restaurants; hotels and casinos; manufacturing and processing facilities; arenas and convention centers; hospitals; school districts; military and other government agencies; airports; prisons

and car lots. High-rise residential projects are viewed as commercial rather than residential projects because the electrical wiring methods and field skills require similar techniques. Commercial and industrial electrical construction is most often performed by a subcontractor for a general contractor, although an electrical contractor may also perform services directly as a prime contractor. Generally, contracts are obtained through a competitive bid process or on negotiated terms through ongoing customer relationships.

Typically, electrical contracting services for the industrial and commercial market involve wiring a structure to specifications set by the customer, increasingly with design-and-build engineering expertise provided by the electrical contractor. The normal commercial or industrial job is wired through pipe or conduit, which is installed through metal or concrete structures. Some commercial and industrial contractors prefabricate certain components offsite, at the contractor's office or at the facilities of a subcontractor or manufacturer, and these items are transported to the job site ready to be installed.

Over the past three years, the Founding Companies' revenues from electrical contracting for commercial and industrial customers have grown at an average compound annual rate of approximately 24% per year. The Company believes that growth in the commercial and industrial market reflects a number of factors, including (i) levels of construction and renovation activity; (ii) regulations imposed by electric codes, which establish minimum power and wiring requirements; (iii) safety codes mandating additional installation of smoke detectors and the use of ground fault circuit protection devices in more locations; (iv) revised national energy standards that dictate the use of more energy-efficient lighting fixtures and other equipment; (v) continuing demand to build out lease spaces in office buildings and to reconfigure space for new tenants; (vi) increases in use of electrical power, creating needs for increased capacity and outlets, as well as data cabling and fiber optics and (vii) requirements of building owners and developers to facilitate marketing their properties to tenants and buyers by installing electrical capacity in excess of minimum code requirements.

Residential Market. The residential market consists primarily of electrical installations in new single family and low-rise multifamily residence construction. The typical residential electrical wiring job is done with plastic-jacketed wiring installed through wood studs. As in the commercial and industrial market, the opportunities for design-and-build projects have grown recently for residential contractors. The residential market, with its repetitive floor plans, lends itself to prefabrication techniques. The use of prefabricated components increases productivity by reducing construction time, labor costs and skill requirements. The residential market is primarily dependent on the number of single family and multifamily home starts, which are in turn affected by interest rates, tax considerations and general economic conditions. Competitive factors particularly important in the residential market include a contractor's ability to build relationships with customers such as large homebuilders and apartment developers by providing services in diverse geographic markets as construction activity shifts to new locations. The Founding Companies' residential electrical contracting revenues have grown at an average compound annual rate of approximately 22% over the past three years.

Residential electrical contractors with specialized expertise and the necessary licenses are in a position to meet market demand for increasingly complex residential electrical systems. For example, some newly constructed homes have been designed as smart houses with integrated computer-controlled systems wired in during construction. In addition, more stringent building and fire codes have resulted in more complex wiring requirements for smoke detectors and alarms.

STRATEGY

The Company believes that its size, geographical diversity of operations, industry relationships, expertise in specialized markets, number of licensed electricians and access to design technology give the Company significant competitive advantages in the electrical contracting and maintenance services industry. Through increased size, the Company believes it will have greater ability to compete for larger jobs that require greater technical expertise, personnel availability and bonding capacity, to more effectively allocate and share resources in serving customers in each of its markets and to attract, train and retain qualified electricians. The Company also believes that increased size will provide increased efficiency in materials purchasing, computer system development, employee benefits, bonding, insurance and financing. The Company believes that the

diversity of its operations will diminish the effects of regional and market downturns, offer opportunities to pursue growth in its existing markets and create a base of expertise to expand into new markets and serve new customers.

The Company plans to leverage its experienced management and extensive relationships within the electrical contracting industry to increase its revenues and reduce its cost infrastructure through internal growth as well as the acquisition of additional electrical contracting businesses. The Company's management includes a Chief Executive Officer and two Chief Operating Officers, each with 25 years or more of experience in the electrical contracting industry. The Company has extensive business relationships within the industry, in part through Founding Companies that are members of the IEC. The IEC is the second largest electrical trade organization in the U.S. and has nearly 3,000 contracting firms as members. The Company's Chief Executive Officer is a past president of the IEC, and two founders are members of the executive committee of the IEC. The IEC sponsors forum groups, which are discussion groups of members of the IEC that foster the sharing of best business practices. The Founding Companies are members of the IEC and other trade organizations, and the Company intends to expand the practice of sharing best practices among the Founding Companies and with future acquisitions.

The Company's goal is to become a leading national provider of electrical services by improving its operations, expanding its business and markets through internal growth and pursuing an aggressive acquisition strategy.

Operating Strategy. The Company believes there are significant opportunities to increase revenues and profitability of the Founding Companies and subsequently acquired businesses. The key elements of the Company's operating strategy are:

Share Information, Technical Capabilities and Best Practices. The Company believes it will be able to expand the services it offers in its local markets by leveraging the specialized technical and marketing strengths of individual Founding Companies. The Company will identify and share best practices that can be successfully implemented throughout its operations. The Company intends to use the computer-aided-design technology and expertise of certain of the Founding Companies to bid for more design-and-build projects and to assist customers in value engineering and creating project documents. The Company believes that its increased size, capital and workforce will permit it to pursue projects that require greater design and performance capabilities and the ability to meet accelerated timetables.

Expand Scope of Maintenance and Specialized Services. The Company intends to further develop its long-term and per call maintenance service operations, which generally realize higher gross margins and provide recurring revenues that are relatively independent of levels of construction activity. The Company also believes that certain specialized businesses currently offered by only a few of the Founding Companies can be expanded throughout the Company and in some cases can provide higher margins. Through sharing of expertise and specialized licenses and the ability to demonstrate a safety record in specialized markets served by the Founding Companies, the Company intends to expand its presence and profitability in markets where it previously relied on subcontractors.

Establish National Market Coverage. The Company believes that the growth of many of the Founding Companies has been restricted due to the geographic limitations of existing operations and that the Company's broad geographic coverage will increase internal growth opportunities. The Company intends to leverage its geographic diversity to bid for additional business from existing customers that operate on a regional and national basis, such as developers, contractors, homebuilders and owners of national chains. The Company believes that significant demand exists from such companies to utilize the services of a single electrical contracting and maintenance service provider and existing local and regional relationships can be expanded as the Company develops a nationwide network.

Operate on Decentralized Basis. The Company believes that, while maintaining strong operating and financial controls, a decentralized operating structure will retain the entrepreneurial spirit present in each of the Founding Companies. The Company also will be structured to allow it to capitalize on the considerable local and regional market knowledge and customer relationships possessed by each

Founding Company, as well as companies that may be acquired in the future. By maintaining a local and regional focus in each of its markets, the Company believes it will be able to build relationships with general contractors and other customers, address design preferences and code requirements, respond quickly to customer demands for higher-margin renovation and upgrade projects and adjust to local conditions.

Attract and Retain Quality Employees. The Company believes that the ability to attract and retain qualified electricians is a critical competitive factor and that the Acquisitions and the Offering will provide competitive advantages in this regard. The Company intends to attract and develop skilled employees by extending active recruiting and training programs, offering stock-based compensation for key employees, and offering expanded career paths and more stable income through the larger public company. The Company believes that this ability will allow it to increase efficiency and pursue additional customer relationships.

Achieve Operating Efficiencies. Certain administrative functions will be centralized following the Offering. In addition, by combining overlapping operations of certain of the Founding Companies, the Company expects to realize savings in overhead and other expenses. The Company intends to use its increased purchasing power to gain volume discounts in areas such as electrical materials, vehicles, advertising, bonding, employee benefits and insurance. The Company will seek to realize cost savings and other benefits by the sharing of purchasing, pricing, bidding and other business practices and the sharing of licenses. The Company intends to further develop and extend the use of computer systems to facilitate communication among the Founding Companies. At some locations, the larger combined workforce will provide additional staffing flexibility.

Acquisition Strategy. The Company believes that, due to the highly fragmented nature of the electrical contracting and maintenance services industry, it has significant opportunities to pursue its acquisition strategy. The Company intends to focus on acquiring companies with management philosophies based on both an entrepreneurial attitude as well as a willingness to learn and share improved business practices through open communications. The Company believes that many electrical contracting and service businesses that lack the capital necessary to expand operations will become acquisition candidates. For these acquisition candidates, the Company will provide (i) information on best practices, (ii) expertise in expanding in specialized markets, (iii) the opportunity to focus on customers rather than administration, (iv) national name recognition, (v) increased liquidity and (vi) the opportunity for a continued role in management. The Founding Companies participate in professional associations such as the IEC and Associated Builders and Contractors, and the Company intends to continue these relationships, in part to assist in identifying attractive acquisition candidates. Other key elements of the Company's acquisition strategy are:

Enter New Geographic Markets. The Company will pursue acquisitions that are located in new geographic markets, are financially stable and have the customer base necessary to integrate with or complement its existing business. The Company also expects that increasing its geographic diversity will allow it to better serve an increasingly nationwide base of customers and further reduce the impact on the Company of local and regional economic cycles, as well as weather-related or seasonal variations in business.

Expand Within Existing Markets. Once the Company has entered a market, it will seek to acquire other well-established electrical contracting and maintenance businesses operating within that region, including "tuck-in" acquisitions of smaller companies. The Company believes that tuck-in acquisitions afford the opportunity to improve its overall cost structure through the integration of such acquisitions into existing operations as well as to increase revenues through access to additional specialized markets, such as heavy industrial markets. Despite such integration opportunities afforded by such tuck-in acquisitions, the Company intends to maintain existing business names and identities to retain goodwill for marketing purposes.

COMPANY OPERATIONS

The Company offers a broad range of electrical contracting services, including installation and design, for both new and renovation projects in the commercial, industrial and residential markets. The Company also offers long-term and per call maintenance services, which generally provide recurring revenues that are relatively independent of levels of construction activity.

In certain markets the Company offers design-and-build expertise and specialized services, which typically require specific skills and equipment and provide higher margins than general electrical contracting and maintenance services. The Company also acts as a subcontractor for a variety of national, regional and local builders in the installation of electrical and other systems.

Commercial and Industrial. New commercial and industrial work begins with either a design request or engineer's plans from the owner or general contractor. Initial meetings with the parties allow the contractor to prepare preliminary and then more detailed design specifications, engineering drawings and cost estimates. Once a project is awarded, it is conducted in scheduled phases, and progress billings are rendered to the owner for payment, less a retainage of 5% to 10% of the construction cost of the project. Actual field work (ordering of equipment and materials, fabrication or assembly of certain components, delivery of materials and components to the job site, scheduling of work crews and inspection and quality control) is coordinated during these phases. The Company generally provides the materials to be installed as a part of these contracts, which vary significantly in size from a few hundred dollars to several million dollars and vary in duration from less than a day to more than a year.

Residential. New residential installations begin with a builder providing architectural or mechanical drawings for the residences within the tract being developed. The Company typically submits a bid or contract proposal for the work. Company personnel analyze the plans and drawings and estimate the equipment, materials and parts and the direct and supervisory labor required for the project. The Company delivers a written bid or negotiates an arrangement for the job. The installation work is coordinated by the Company's field supervisors along with the builder's personnel. Payments for the project are generally obtained within 30 days, at which time any mechanics' and materialmen's liens securing such payments are released. Interim payments are often obtained to cover labor and materials costs on larger projects.

Maintenance Services. The Company's maintenance services are supplied on a long-term and per call basis. The Company's long-term maintenance services are provided through service contracts that require the customer to pay an annual or semiannual fee for periodic diagnostic services at a specific discount from standard prices for repair and replacement service. The Company's per call maintenance services are initiated when a customer requests emergency repair service or the Company calls the client to schedule periodic maintenance work. Service technicians are scheduled for the call or routed to the customer's residence or business by the dispatcher. Service personnel work out of the Company's service vehicles, which carry an inventory of equipment, tools, parts and supplies needed to complete the typical variety of jobs. The technician assigned to a service call travels to the residence or business, interviews the customer, diagnoses the problem, prepares and discusses a price quotation, performs the work and often collects payment from the customer. Most work is warrantied for one year. During fiscal 1996, the Company performed approximately \$35.0 million in service for periodic maintenance under existing service contracts, emergency or other routine service calls.

Major Customers. The Company has a diverse customer base, with no single customer accounting for more than 5% of the Company's pro forma combined 1996 revenues. Management and a dedicated sales force at the Founding Companies have been responsible for developing and maintaining successful long-term relationships with key customers. Customers of the Founding Companies generally include general contractors; developers; consulting engineers; architects; owners and managers of large retail establishments, office buildings, apartments and condominiums, theaters and restaurants; hotels and casinos; manufacturing and processing facilities; arenas and convention centers; hospitals; school districts; military and other government agencies; airports; prisons and car lots. The Company intends to continue its emphasis on developing and maintaining long-term relationships with its customers by providing superior, high-quality service.

Employee Screening, Training and Development. The Company is committed to providing the highest level of customer service through the development of a highly trained workforce. Employees are encouraged to complete a progressive training program to advance their technical competencies and to ensure that they understand and follow the applicable codes, the Company's safety practices and other internal policies. The Company supports and funds continuing education for its employees, as well as apprenticeship training for its technicians under the Bureau of Apprenticeship and Training of the Department of Labor and similar state agencies. Employees who train as apprentices for four years may seek to become journeymen electricians and, after additional years of experience, master electricians. The Company pays progressive increases in compensation to employees who acquire such additional training, and more highly trained employees serve as foremen, estimators and project managers. The Company's master electricians are licensed in one or more cities or other jurisdictions in order to obtain the permits required in the Company's business, and certain master electricians have also obtained specialized licenses in areas such as security systems and fire alarm installation. In some areas, licensing boards have set continuing education requirements for maintenance of licenses. Because of the lengthy and difficult training and licensing process for electricians, the Company believes that the number, skills and licenses of its employees constitute a competitive strength in the industry.

The Company actively recruits and screens applicants for its technical positions and has established programs in some locations to recruit apprentice technicians directly from high schools and vocational-technical schools. Prior to employment, the Company will make an assessment of the technical competence level of all potential new employees, confirm background references, conduct random drug testing and check criminal and driving records.

Purchasing. As a result of economies of scale derived through the Acquisitions and the Company's in-house supply operations, the Company believes it will be able to purchase equipment, parts and supplies at discounts to historical levels. In addition, as a result of the Company's size, it believes it will also lower its costs of (i) the purchase or lease and maintenance of vehicles; (ii) bonding, casualty and liability insurance; (iii) health insurance and related benefits; (iv) retirement benefits administration; (v) office and computer equipment; (vi) marketing and advertising; (vii) long distance services and (viii) a variety of accounting, financial management and legal services.

Substantially all the equipment and component parts the Company sells or installs are purchased from manufacturers and other outside suppliers. The Company is not materially dependent on any of these outside sources.

MANAGEMENT INFORMATION AND CONTROLS

The Company intends to centralize its consolidated accounting and financial reporting activities at its operational headquarters in Houston, Texas, while basic accounting activities will be conducted at the operating level. The Company believes that its current information systems hardware and software are adequate to meet current needs for financial reporting, internal management control and other necessary information and the needs of newly acquired corporations.

PROPERTY AND EQUIPMENT

The Company operates a fleet of owned and leased service trucks, vans and support vehicles. It believes these vehicles generally are adequate for the Company's current operations.

At June 30, 1997, the Company maintained offices at locations. All of the Company's facilities are leased. The Company's corporate headquarters are located in Houston, Texas. The paragraphs below summarize the Company's primary office and operating facilities.

The Company's primary warehouses, sales facilities and administrative offices are as follows, subject to consolidation of certain facilities to achieve operating efficiencies and subject to the execution of leases with

certain owners of the Founding Companies in connection with the Acquisitions and the consummation of the Offering:

LOCATION -----	APPROXIMATE SQUARE FT. -----	TYPE ----
Birmingham, AL.....	3,800	Offices
Maricopa, AZ.....	6,400	Warehouse/Offices
Phoenix, AZ.....	6,900	Offices
Ocoee, FL.....	12,800	Warehouse/Offices
Miami, FL.....	19,000	Warehouse/Offices
Valdosta, GA.....	19,800	Warehouse/Offices
Louisville, KY.....	17,000	Warehouse/Offices
Cincinnati, OH.....	5,600	Warehouse/Offices
Mitchell, SD.....	8,000	Offices
Eules, TX.....	32,000	Warehouse/Offices
Houston, TX.....	23,040	Offices
Houston, TX.....	19,000	Warehouse/Offices
Houston, TX.....	8,722	Warehouse/Offices
San Antonio, TX.....	13,492	Warehouse/Offices
Stafford, TX.....	15,000	Warehouse/Offices
Everett, WA.....	3,500	Warehouse/Offices

In addition to the facilities listed above, the Company may operate on a short-term basis in other locations as may be required from time to time to perform its contracts. Upon the consummation of this Offering, the Company will lease its principal and administrative offices in Houston, Texas and is currently in the process of obtaining office space for this purpose.

The Company believes that its properties are generally adequate for its present needs. Furthermore, the Company believes that suitable additional or replacement space will be available as required.

COMPETITION

The electrical contracting industry is highly fragmented and competitive. Most of the Company's competitors are small, owner-operated companies that typically operate in a limited geographic area. There are few public companies focused on providing electrical contracting services. In the future, competition may be encountered from new entrants, such as public utilities and other companies attempting to consolidate electrical contracting service companies. See "Risk Factors" for a description of the bases of competition in the industry.

REGULATIONS

The Company's operations are subject to various federal, state and local laws and regulations, including (i) licensing requirements applicable to electricians; (ii) building and electrical codes; (iii) regulations relating to consumer protection, including those governing residential service agreements and (iv) regulations relating to worker safety and protection of the environment. The Company believes it has all required licenses to conduct its operations and is in substantial compliance with applicable regulatory requirements. Failure of the Company to comply with applicable regulations could result in substantial fines or revocation of the Company's operating licenses.

Many state and local regulations governing electricians require permits and licenses to be held by individuals. In some cases, a required permit or license held by a single individual may be sufficient to authorize specified activities for all the Company's electricians who work in the state or county that issued the permit or license. The Company intends to implement a policy to ensure that, where possible, any such permits or licenses that may be material to the Company's operations in a particular geographic region are held by at least two Company employees within that region.

LITIGATION

Each of the Founding Companies has, from time to time, been a party to litigation arising in the normal course of its business, most of which involves claims for personal injury or property damage incurred in connection with its operations. Management believes that none of these actions will have a material adverse effect on the financial condition or results of operations of the Company.

EMPLOYEES

At June 30, 1997, the Company had approximately 3,550 employees. The Company is not a party to any collective bargaining agreements. The Company believes that its relationship with its employees is satisfactory.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information concerning the Company's directors and executive officers and those persons who will become directors, executive officers and certain key employees following the consummation of the Offering:

NAME ----	AGE ---	POSITION -----
C. Byron Snyder.....	49	Chairman of the Board of Directors
Jon Pollock.....	51	President, Chief Executive Officer and Director*
Jim P. Wise.....	54	Senior Vice President and Chief Financial Officer
Jerry Mills.....	57	Senior Vice President and Chief Operating Officer -- Commercial and Industrial and Director*
Ben L. Mueller.....	50	Senior Vice President and Chief Operating Officer -- Residential and Director*
John S. Stanfield.....	42	Vice President -- Mergers and Acquisitions*
D. Merrill Cummings.....	36	Vice President -- Mergers and Acquisitions*
J. Paul Withrow.....	32	Vice President and Chief Accounting Officer
Richard Muth.....	50	President of Muth Electric, Inc., and Director*
Robert Stalvey.....	47	President of Ace Electric, Inc., and Director*
Bob Weik.....	62	President of BW Consolidated, Inc., and Director*

* Election as a director or officer of the Company effective upon the consummation of the Offering.

Directors are elected at each annual meeting of stockholders. All officers serve at the discretion of the Board of Directors, subject to terms of their employment agreement terms. See "-- Employment Agreements."

C. Byron Snyder has been Chairman of the Board of Directors of the Company since its inception. Mr. Snyder is owner and President of Relco Refrigeration Co., a distributor of refrigerator equipment, which he acquired in 1992. Prior to 1992, Mr. Snyder was the owner and Chief Executive Officer of Southwestern Graphics International, Inc., a diversified holding company which owned Brandt & Lawson Printing Co., a Houston-based general printing business, and Acco Waste Paper Company, an independent recycling business. Brandt & Lawson Printing Co. was sold to Hart Graphics in 1989, and Acco Waste Paper Company was sold to Browning-Ferris Industries in 1991. Mr. Snyder is a director of Carriage Services, Inc., a publicly held death care company.

Jon Pollock will become President, Chief Executive Officer and a director of the Company upon consummation of the Offering. Mr. Pollock has been the president of Pollock Electric Inc., one of the Founding Companies, since he founded that company in 1983. Mr. Pollock is a Registered Professional Engineer in Texas and several other states and holds Master Electrician licenses from 50 different jurisdictions. Mr. Pollock received a bachelor of science in electrical engineering from Washington University. Mr. Pollock is past National President of the Independent Electrical Contractors Association and received the IEC Electrical Man of the Year award in 1996. As National President of the IEC, Mr. Pollock was responsible for overseeing the IEC's activities relating to the development and execution of apprenticeship and safety training programs, industry lobbying activities and the development of national electrical code standards.

Jim P. Wise joined the Company in September 1997 as Senior Vice President and Chief Financial Officer. From September 1994 to September 1997, he was Vice President -- Finance and Chief Financial Officer at Sterling Chemicals, Inc., a publicly held manufacturer of commodity petrochemicals and pulp chemicals. From September 1991 to July 1994, he was Chairman and Chief Executive Officer of Neostar Group, Inc., a private investment banking and financial advisory firm. From July 1994 to September 1994, he was Senior Vice President and Chief Financial Officer of U.S. Delivery Systems, Inc., a delivery service consolidator. Mr. Wise was employed by Transco Energy Company as Executive Vice President, Chief Financial Officer and was a member of the Board of Directors from November 1982 until September 1991.

Jerry Mills will become Senior Vice President and Chief Operating Officer -- Commercial and Industrial and a director of the Company upon consummation of the Offering. Mr. Mills has been the President of Mills Electrical Contractors, Inc., one of the founding companies, since he began that company in 1972. Mr. Mills is a past board member of the Independent Electrical Contractors, the Associated Builders and Contractors, the Associated General Contractors and the Richardson Electrical Board. Prior to 1972, Mr. Mills was an officer and part owner of Koegel Cash Consulting Engineers.

Ben L. Mueller will become Senior Vice President, Chief Operating Officer -- Residential and a director of the Company upon consummation of the Offering. Mr. Mueller has been the Executive Vice President of Houston-Stafford since 1993 and has served as vice president of Houston-Stafford since 1975. Mr. Mueller is a past member of the board of the IEC, Houston Chapter, and has served on the Electrical Board for the City of Sugar Land, Texas.

John S. Stanfield will become Vice President -- Mergers and Acquisitions upon the consummation of the Offering. Since March 1996, he has served as Controller of Pollock Electric, Inc., one of the Founding Companies. From April 1993 through March 1996, Mr. Stanfield was an independent financial consultant, specializing in acquisition, corporate reorganization, and accounting and financial control services. From 1988 through 1993, Mr. Stanfield served as Chief Financial Officer for companies in the distribution and manufacturing industries. Mr. Stanfield was employed in various positions by Arthur Andersen LLP from 1978 through 1988. Mr. Stanfield is a Certified Public Accountant.

D. Merrill Cummings will become Vice President -- Mergers and Acquisitions upon the closing of this Offering. Mr. Cummings has served as a consultant to the Company since its inception in June 1997. From February 1997 through June 1997 he served as a consultant to C. Byron Snyder and his privately owned corporations. From 1992 through 1996, Mr. Cummings served as Vice President and Chief Financial Officer for J A Interests, Inc., a private asset management company, and its commonly owned affiliates, including Southern Jet Management, Inc., a general aviation services and charter company. From 1982 through January 1992, Mr. Cummings held various positions with Arthur Andersen LLP. Mr. Cummings is a Certified Public Accountant.

J. Paul Withrow has served as Vice President and Chief Accounting Officer of Integrated Electrical Services, Inc. since October 1997. From 1987 to 1997, Mr. Withrow held various positions with Arthur Andersen LLP. Mr. Withrow is a Certified Public Accountant.

Richard Muth will become a director of the Company upon consummation of the Offering. Mr. Muth founded Muth Electric, Inc. in 1970 and has been the owner and president since that time. Mr. Muth served on the South Dakota State Electrical Commission from 1980 to 1991 and the Associated General Contractors Associate Division Board. Mr. Muth also received the South Dakota Electrical Council "Man of the Year" award in 1993. Mr. Muth holds electrical contractors' licenses in South Dakota, Minnesota, Nebraska, Wyoming and Montana.

Robert Stalvey will become a director of the Company upon consummation of the Offering. Mr. Stalvey has served as President and Secretary of Ace since 1976. Mr. Stalvey will continue to serve in these positions following the consummation of the Offering.

Bob Weik will become a director of the Company upon consummation of the Offering. Mr. Weik has served as President, Treasurer and a director of the Bexar-Calhoun companies since their inception in 1958. Mr. Weik will continue to serve in those positions following the consummation of the Offering.

The Board of Directors will establish an Audit Committee and Compensation Committee. The Audit Committee will recommend the appointment of auditors and oversees the accounting and audit functions of the Company. The Compensation Committee will determine the salaries and bonuses of executive officers and administer the Stock Option Plan. Messrs. _____ will serve as members of the Company's Compensation Committee and Audit Committee.

Effective upon consummation of the Offering, the Board of Directors will be divided into three classes of directors, with directors serving staggered three-year terms, expiring at the annual meeting of stockholders in

1998, 1999 and 2000, respectively. At each annual meeting of stockholders, one class of directors will be elected for a full term of three years to succeed that class of directors whose terms are expiring.

C. Byron Snyder, as the holder of all of the outstanding Restricted Common Stock, will be entitled to elect one member of the Company's Board of Directors and to one-half of one vote for each share held on all other matters. Holders of Restricted Common Stock are not entitled to vote on the election of any other directors. Only the holder of the Restricted Common Stock may remove the director such holder is entitled to elect. See "Description of Capital Stock."

DIRECTOR COMPENSATION

Directors who are employees of the Company or a subsidiary do not receive additional compensation for serving as directors. Each director who is not an employee of the Company or a subsidiary will receive a fee of \$2,000 for attendance at each Board of Directors meeting and \$1,000 for each committee meeting (unless held on the same day as a Board of Directors meeting). Directors of the Company will be reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors or committees thereof, and for other expenses reasonably incurred in their capacity as directors of the Company. Each non-employee director will receive stock options to purchase 5,000 shares of Common Stock upon initial election to the Board of Directors and thereafter an annual grant of 5,000 options at each annual meeting on which the non-employee director continues to serve. See "-- 1997 Directors Stock Plan."

EXECUTIVE COMPENSATION

The Company was incorporated in June 1997 and, prior to the Offering, has not conducted any operations other than activities related to the Acquisitions and the Offering. The Company anticipates that during 1998 the annualized base salaries of its most highly compensated executive officers will be: Mr. Pollock -- \$225,000, Mr. Mills -- \$200,000, Mr. Mueller -- \$200,000, Mr. Wise -- \$190,000 and Mr. Stanfield -- \$140,000.

EMPLOYMENT AGREEMENTS

The Company will enter into employment agreements with each executive officer of the Company which prohibits such officer from disclosing the Company's confidential information and trade secrets and generally restricts these individuals from competing with the Company for a period of two years after the date of the termination of employment with the Company. Each of the agreements has an initial term of five years and provides for annual extensions at the end of its initial term, subject to the parties' mutual agreement, and is terminable by the Company for "cause" upon ten days' written notice and without "cause" by either party upon thirty days' written notice. All employment agreements provide that if the officer's employment is terminated by the Company without "cause" or is terminated by the officer for "good reason," the officer will be entitled to receive a lump sum severance payment at the effective time of termination equal to the base salary (at the rate then in effect) for the greater of (i) the time period remaining under the term of the agreement or (ii) one year. In addition, the time period during which such officer is restricted from competing with the Company will be shortened from two years to one year.

The employment agreements contain certain provisions concerning a change-in-control of the Company, including the following: (i) in the event the officer's employment is terminated within two years following the change in control by the Company other than for "cause" or by the officer for "good reason," or the officer is terminated by the Company within three months prior to the change in control at the request of the acquiror in anticipation of the change in control, the officer will be entitled to receive a lump sum severance amount equal to three years' base salary and the provisions which restrict competition with the Company shall not apply; (ii) in any change-of-control situation, the officer may elect to terminate his employment by giving five business days' written notice prior to the closing of the transaction giving rise to the change-in-control, which will be deemed a termination of employment by the Company without "cause," and the provisions of the employment agreement governing the same will apply, except that the severance amount otherwise payable shall be doubled (but not to exceed six times the officer's base pay) (if the successor does not give written notice of its acceptance of the Company's obligations under the employment agreement at least five business

days prior to the anticipated closing date, the severance amount shall be tripled, but not to exceed nine times base salary) and provisions which restrict competition with the Company shall not apply; (iii) the officer must be given sufficient time and opportunity to elect whether to exercise all or any of his options to purchase Common Stock, including any options with accelerated vesting under the provisions of the Plan, such that the officer may acquire the Common Stock at or prior to the closing of the transaction giving rise to the change of control, if he so desires and (iv) if any payment to the officer is subject to the 20% excise tax on excess parachute payments, the officer shall be made "whole" on a net aftertax basis.

1997 STOCK PLAN

The Company's 1997 Stock Plan was adopted by the Board of Directors and stockholders in October 1997. The purposes of the 1997 Stock Plan is to provide officers, employees and consultants with additional incentives by increasing their ownership interests in the Company. Individual awards under the 1997 Stock Plan may take the form of one or more of: (i) either incentive stock options ("ISOs") or non-qualified stock options ("NQSOS"); (ii) stock appreciation rights; (iii) restricted or phantom stock; (iv) bonus stock awards; (v) awards not otherwise provided for, the value of which is based in whole or in part upon the value of the Common Stock and (vi) cash awards that may or may not be based on the achievement of performance goals, including goals related to one or more of the following: cash flow, return on equity, sales, profit margin, earnings per share and stock price.

The Compensation Committee or the Company's President, to the extent such duties are delegated to him by the Compensation Committee, will administer the 1997 Stock Plan and select the individuals who will receive awards and establish the terms and conditions of those awards. The maximum number of shares of Common Stock that may be subject to outstanding awards, determined immediately after the grant of any award, may not exceed the greater of 3,500,000 shares or 15% of the aggregate number of shares of Common Stock outstanding; provided, however, that ISOs may not be granted with respect to more than 1,000,000 shares. Shares of Common Stock which are attributable to awards which have expired, terminated or been canceled or forfeited are available for issuance or use in connection with future awards. The maximum number of shares of Common Stock with respect to which any person may receive options and stock appreciation rights in any year is 250,000 shares and the maximum value of any other amount may not exceed \$2 million as of the date of its grant.

The 1997 Stock Plan will remain in effect for 10 years, unless earlier terminated by the Board of Directors. The 1997 Stock Plan may be amended by the Board of Directors or the Compensation Committee without the consent of the stockholders of the Company, except that any amendment will be subject to stockholder approval if required by any federal or state law or regulation or by the rules of any stock exchange or automated quotation system on which the Common Stock may then be listed or quoted.

At the closing of the Offering, NQSOS to purchase a total of 535,000 shares of Common Stock will be granted as follows: 150,000 shares to Mr. Wise, 100,000 shares to Mr. Stanfield and 285,000 to other key employees of the Company. In addition, at the consummation of the Offering, NQSOS to purchase approximately 2,100,000 shares will be granted to employees of the Founding Companies. Each of the foregoing options will have an exercise price equal to the initial public offering price of the shares offered hereby. In addition, 300,000 options have been granted with exercise price equal to 60% of the initial public offering price per share. Each of these options will vest at the rate of 20% per year, commencing on the first anniversary of grant and will expire at the earliest of (i) ten years from the date of grant, (ii) three months following termination of employment, other than due to death or disability or (iii) one year following a termination of employment due to death or disability.

1997 DIRECTORS STOCK PLAN

The Company's 1997 Directors Stock Plan (the "Directors Plan") was adopted by the Board of Directors and approved by the Company's stockholders in October 1997. The Directors Plan provides for (i) the automatic grant to each non-employee director serving at the consummation of the Offering of an option to purchase 5,000 shares, (ii) the automatic grant to each non-employee director of an option to purchase

5,000 shares upon such person's initial election as a director and (iii) an automatic annual grant to each non-employee director of an option to purchase 5,000 shares on each September 30th on which such director remains a non-employee director. All options will have an exercise price per share equal to the fair market value of the Common Stock on the date of grant, will vest over five years at the rate of 20% per year and will expire on the earliest of (i) ten years from the date of grant, (ii) three months after termination of service as a director, due to death or disability or (iii) one year following a termination of employment due to death or disability. In addition, options can be granted to a non-employee director upon such terms as the Board determines, whenever it believes such additional grant is appropriate.

CERTAIN TRANSACTIONS

ORGANIZATION OF THE COMPANY

The Company was founded in June 1997 by C. Byron Snyder. In connection with the formation of IES, IES issued to Mr. Snyder, the Snyder Children's Trust and D. Merril Cummings a total of 2,329,600 shares of Common Stock for nominal consideration. Mr. Snyder is president and a director of the Company. The trustee of the Snyder Children's Trust is an independent third party not subject to control by Mr. Snyder. In September 1997, IES issued an additional 442,589 shares to Mr. Snyder and such trust. In October 1997, Mr. Snyder exchanged 2,655,709 shares of Common Stock for an equal number of shares of Restricted Common Stock. Mr. Snyder has agreed to advance whatever funds are necessary to effect the Acquisitions and the Offering. As of September 30, 1997, Mr. Snyder had outstanding advances to the Company in the aggregate amount of approximately \$, all of which are non-interest-bearing. All of Mr. Snyder's advances will be repaid from the net proceeds of the Offering.

The Company has issued a total of 1,396,602 shares of Common Stock at \$.01 per share to various members of management, including: Mr. Pollock -- 465,914 shares, Mr. Mills -- 232,957 shares, Mr. Mueller -- 232,957 shares, Mr. Wise -- 100,000 shares, Mr. Stanfield -- 75,000 shares and other key employees -- 289,774 shares. The Company also granted options to purchase 5,000 shares of Common Stock under the Directors Plan, effective upon the consummation of this Offering, to the non-employee directors of the Company upon the closing of the Offering.

Simultaneously with the closing of the Offering, the Company will acquire by stock purchase all the issued and outstanding capital stock and other equity interests of the Founding Companies, at which time each Founding Company will become a wholly owned subsidiary of the Company. The Acquisitions Consideration consists of (i) an estimated \$57.5 million in cash (subject to adjustment based on the initial public offering price) and (ii) 12,313,026 shares of Common Stock. In addition, the Company intends to repay approximately \$4.6 million of the historical indebtedness of the Founding Companies. Immediately prior to the Acquisitions, certain of the Founding Companies will make S Corporation Distributions to their stockholders in an aggregate amount of \$17.8 million and will transfer certain nonoperating assets and liabilities to their stockholders with an approximate net book value of \$3.0 million in connection with the Acquisitions. The Company will incur approximately \$10.9 million in indebtedness to fund the S Corporation Distributions.

The consummation of each Acquisition is subject to customary conditions. These conditions include, among others, the accuracy of the representations and warranties by the Founding Companies, their stockholders and the Company; the performance by each of the parties of their respective covenants; and the nonexistence of a material adverse change in the results of operations, financial condition or business of each Founding Company. There can be no assurance that the conditions to closing of the Acquisitions will be satisfied or waived or that the acquisition agreements will not be terminated prior to consummation.

The following table sets forth for each Founding Company (i) the approximate portion of the Acquisitions Consideration to be paid to the stockholders of each of the Founding Companies in cash and in shares of Common Stock, which cash is subject to adjustments based on the initial public offering price of the Common Stock offered hereby, (ii) the amount of S Corporation Distributions received by the stockholders of such Founding Company prior to the consummation of the Acquisitions and (iii) the total debt which would

have been assumed by the Company as of June 30, 1997, which represents historical indebtedness and indebtedness incurred to pay S Corporation Distributions of such Founding Company:

	CASH	SHARES OF COMMON STOCK	S CORPORATION DISTRIBUTIONS(A)	TOTAL DEBT
	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)			
Houston-Stafford.....	\$15,643	3,352,039	\$ --	\$ 320
Mills.....	11,637	2,493,657	8,755	65
Bexar-Calhoun.....	8,696	1,863,397	1,449	340
Pollock.....	1,092	319,729	--	1,548
Daniel.....	3,975	851,823	3,509	121
Muth.....	2,209	473,324	1,276	363
Amber.....	2,486	532,728	--	293
Summit.....	1,900	321,506	--	121
Haymaker.....	2,029	434,735	367	31
Thurman & O'Connell.....	2,331	499,600	1,474	96
Hatfield.....	972	208,357	--	636
Ace.....	892	191,056	407	206
Reynolds.....	939	201,191	261	350
Rodgers.....	1,684	360,725	--	110
Popp.....	976	209,158	266	--
	-----	-----	-----	-----
Total.....	\$57,461	12,313,026	\$17,764	\$4,600
	=====	=====	=====	=====

(a) Excludes the transfer of certain nonoperating assets and liabilities to certain stockholders of the Founding Companies with an approximate net book value of \$3.0 million in connection with the Acquisitions.

Pursuant to the agreements relating to the Acquisitions, all stockholders of each of the Founding Companies have agreed not to compete with the Company for a period of two years after the termination of their affiliation with the Company. In connection with the Acquisitions, the Company and the owners of the Founding Companies have agreed to indemnify each other for breaches of representations and warranties and certain other matters, subject to certain limitations.

Individuals who are or will become executive officers or directors of the Company will receive the following portions of the Acquisitions Consideration for their interests in the Founding Companies, subject to adjustments as described above.

COMPANY -----	CASH(A) -----	SHARES OF COMMON STOCK -----
Houston-Stafford		
Ben Mueller.....	\$ 5,005,712	1,072,652
Mills		
Jerry Mills.....	10,022,624	2,147,705
Bexar-Calhoun		
Bob Weik(b).....	6,649,695	1,424,935
Pollock		
Jon Pollock.....	1,092,069	319,729
Muth		
Richard Muth(c).....	2,088,961	447,635
Ace		
Robert Stalvey.....	445,799	95,528
	-----	-----
Total.....	\$25,304,860	5,508,184
	=====	=====

(a) Excludes S Corporation Distributions.

(b) Excludes cash of \$347,834 and 74,536 shares of Common Stock to be received by two related trusts in which Mr. Weik may be deemed to have an interest, as to which Mr. Weik disclaims beneficial ownership.

(c) Excludes cash of \$119,883 and 25,689 shares of Common Stock to be received by Mr. Muth's wife, Darlene Muth, as to which he disclaims beneficial ownership.

TRANSACTIONS INVOLVING CERTAIN OFFICERS, DIRECTORS AND PRINCIPAL STOCKHOLDERS

During fiscal 1996, Houston-Stafford made payments totaling \$243,000 to the Brown-Mueller Joint Venture, a general partnership of which Mr. Mueller is a member, for lease payments on certain real properties used as electrical shops. No such lease payments were made in 1997. Mr. Mueller will become Senior Vice President, Chief Operating Officer -- Residential and a director the Company following the consummation of the Offering.

At December 31, 1996, Houston-Stafford owed Mr. Mueller \$185,985 on a promissory note, payable in monthly installments and maturing April 2001. Such note was prepaid by Houston-Stafford in October 1997, related to the purchase of certain property of Houston-Stafford used by Houston-Stafford in Rowlett, Texas.

At December 31, 1996, Houston-Stafford owed Mr. Mueller \$766,400 related to a promissory note maturing August 2003 and secured by Mr. Mueller's stock in Houston-Stafford, and such obligation and any related obligations shall be terminated at the consummation of the Offering.

Pursuant to a 5-year lease agreement effective November 1, 1997, Houston-Stafford agreed to lease certain facilities owned by Mr. Mueller in Spring, Texas. Such lease agreement provides for an annual rent of \$20,000, which the Company believes is not in excess of fair rental value for such facilities.

During fiscal 1996, Mills derived contract revenues of \$1.3 million from CIMA Services, Inc. ("CIMA"), an electrical services company of which Mr. Mills is a part owner. Additionally, during fiscal 1996, Mills paid \$1.1 million to CIMA for material purchases. At December 31, 1996, Mills had outstanding accounts receivable from CIMA of \$208,000 and accounts payable to CIMA of \$633,000. Mr. Mills will become Senior Vice President and Chief Operating Officer -- Commercial and Industrial and a director of the Company following the consummation of the Offering.

During 1995, Mr. Weik incurred indebtedness from Bexar-Calhoun of which the largest aggregate amount outstanding at any time was \$647,000. All of such indebtedness was repaid as of April 18, 1997. Mr. Weik will become a director of the Company following the consummation of the Offering.

During 1997, Mr. Weik incurred indebtedness from Bexar-Calhoun of which the largest aggregate amount outstanding at any time was \$533,525. All of such indebtedness was repaid as of August 6, 1997.

Prior to the closing of the Acquisitions and the consummation of the Offering, Bexar-Calhoun will distribute all interest it owns, directly or indirectly, in real property to Mr. Weik and his immediate family. It is anticipated that such real estate will be leased to the Company for an annual rent of approximately \$150,000. The Company believes that such rent will not be in excess of fair rental value for such facilities.

Since January 1, 1996, Mr. Muth has from time to time incurred indebtedness from Muth, of which the largest aggregate amount outstanding at any time was \$205,000. All amounts owed by Mr. Muth to Muth will be repaid prior to the closing of the Offering. Mr. Muth will become a director of the Company following the consummation of the Offering.

Prior to the closing of the Acquisitions and the consummation of the Offering, certain assets of Muth will be purchased by Mr. Muth for \$217,140.

From time to time in the past Muth has completed electrical contracts for Muth Properties, L.L.C., a limited liability company of which Mr. Muth is a member. Prior to the closing of the Acquisitions and the consummation of the Offering, a final payment of \$162,900 will be made by Muth Properties, L.L.C. to Muth.

Muth Properties, L.L.C. leases real property to Muth Electric, Inc. for its operations. It is anticipated that annual rentals paid to Muth Properties, L.L.C. by Muth will be approximately \$120,000.

Stalvey Rentals, a general partnership of which Mr. Stalvey is a member, is presently constructing a new facility to lease to Ace in Valdosta, Georgia and an inducement letter has been executed regarding Ace's commitment to lease the new facility for a period of 20 years beginning as soon as a certificate of occupancy is obtained. It is anticipated that annual rentals on this facility will be \$103,200, without respect to property taxes and insurance. Mr. Stalvey will become a director of the Company following the consummation of the Offering.

In addition to the transactions described above, certain of the Founding Companies have entered into lease agreements with parties related to the Company, for rents that the Company believes are not in excess of fair rental value.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to beneficial ownership of the Company's Common Stock, after giving effect to the issuance of shares of Common Stock in connection with the Acquisitions and after giving effect to the Offering, by (i) all persons known to the Company to be the beneficial owner of 5% or more thereof, (ii) each director and nominee for director, (iii) each executive officer and (iv) all officers and directors as a group. Unless otherwise indicated, the address of each such person is c/o Integrated Electrical Services, Inc., 2301 Preston, Houston, Texas 77003. All persons listed have sole voting and investment power with respect to their shares unless otherwise indicated.

	BENEFICIAL OWNERSHIP AFTER OFFERING	
	SHARES	PERCENT
C. Byron Snyder(a).....	2,655,709	11.4%
Jon Pollock.....	785,643	3.4
Jim P. Wise.....	100,000	*
Jerry Mills.....	2,380,662	10.2
Ben L. Mueller.....	1,305,609	5.6
John S. Stanfield.....	75,000	*
Richard Muth(b).....	473,324	2.0
Robert Stalvey.....	95,528	*
Bob Weik(c).....	1,499,471	6.4
All officers and directors as a group (12 persons)(d).....	9,660,720	41.3%
	=====	=====

* Less than one percent.

- (a) Consists entirely of Restricted Common Stock, which represents all of the Restricted Common Stock outstanding. The holders of Restricted Common Stock, voting together as a single class, are entitled to elect one member of the Company's Board of Directors and to one-half of one vote for each share held on all other matters on which they are entitled to vote. Holders of Restricted Common Stock are not entitled to vote on the election of any other directors. Such shares may be converted to Common Stock in certain circumstances. See "Description of Capital Stock."
- (b) Includes 25,689 shares of Common Stock owned by Mr. Muth's wife, as to which Mr. Muth disclaims beneficial ownership.
- (c) Includes 74,536 shares of Common Stock owned by two related trusts, as to which Mr. Weik disclaims beneficial ownership.
- (d) Includes 2,655,709 shares of Restricted Common Stock described in Note (a) above.

DESCRIPTION OF CAPITAL STOCK

GENERAL

The Company's authorized capital stock consists of 100,000,000 shares of Common Stock, par value \$0.01 per share, 2,655,709 shares of Restricted Common Stock, par value \$0.01 per share, and 10,000,000 shares of preferred stock, par value \$0.01 per share. After giving effect to the Acquisitions, there will be 16,365,337 shares of Common Stock outstanding 2,655,709 shares of Restricted Common Stock, par value \$0.01 per share, and no shares of preferred stock outstanding. After the closing of the Offering, 23,365,337 shares of Common Stock will be issued and outstanding, assuming no exercise of the Underwriters' over-allotment option. The following summary of the terms and provisions of the Company's capital stock does not purport to be complete and is qualified in its entirety by reference to the Company's Amended and Restated Certificate of Incorporation and Bylaws, which have been filed as exhibits to the Company's registration statement, of which this Prospectus is a part, and applicable law.

COMMON STOCK AND RESTRICTED COMMON STOCK

The holders of Common Stock are entitled to one vote for each share on all matters voted upon by stockholders, including the election of directors. Such holders are not entitled to vote cumulatively for the election of directors. Holders of a majority of the shares of Common Stock entitled to vote in any election of directors may elect all of directors standing for election.

The holders of Restricted Common Stock, voting together as a single class, are entitled to elect one member of the Company's Board of Directors and to one-half of one vote for each share held on all other matters on which they are entitled to vote. Holders of Restricted Common Stock are not entitled to vote on the election of any other directors. Only the holder of the Restricted Common Stock may remove the director such holder is entitled to elect.

Subject to the rights of any then outstanding shares of preferred stock, holders of Common Stock and Restricted Common Stock are together entitled to participate pro rata in such dividends as may be declared in the discretion of the Board of Directors out of funds legally available therefor. Holders of Common Stock and Restricted Common Stock together are entitled to share ratably in the net assets of the Company upon liquidation after payment or provision for all liabilities and any preferential liquidation rights of any preferred stock then outstanding. Holders of Common Stock and holders of Restricted Common Stock have no preemptive rights to purchase shares of stock of the Company. Shares of common Stock are not subject to any redemption provisions and are not convertible into any other securities of the Company. Shares of Restricted Common Stock are not subject to any redemption provisions and are convertible into Common Stock as described below. All outstanding shares of Common Stock and Restricted Common Stock are, and the shares of Common Stock to be issued pursuant to the Offering and the Acquisitions will be, upon payment therefor, fully paid and non-assessable.

Each share of Restricted Common Stock will automatically convert to Common Stock on a share-for-share basis (i) in the event of a disposition of such share of Restricted Common Stock by the holder thereof (other than a distribution by a holder to its partners or beneficial owners, or a transfer to a related party of such holders (as defined in Sections 267, 707, 318 and/or 4946 of the Internal Revenue Code of 1986, as amended)), (ii) in the event any person acquires beneficial ownership of 15% or more of the total number of outstanding shares of Common Stock or (iii) in the event any person offers to acquire 15% or more of the total number of outstanding shares of Common Stock. After January 1, 2000, the Board of Directors may elect to convert any remaining shares of Restricted Common Stock into shares of Common Stock.

The Company intends to make application to list the Common Stock on the NYSE under the symbol "IEE." The Restricted Common Stock will not be listed on any exchange.

PREFERRED STOCK

The preferred stock may be issued from time to time by the Board of Directors as shares of one or more classes or series. Subject to the provisions of the Company's Amended and Restated Certificate of Incorporation and limitations prescribed by law, the Board of Directors is expressly authorized to adopt resolutions to issue the shares, to fix the number of shares and to change the number of shares constituting any series, and to provide for or change the voting powers, designations, preferences and relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof, including dividend rights (including whether dividends are cumulative), dividend rates, terms of redemption (including sinking fund provisions), redemption prices, conversion rights and liquidation preferences of the shares constituting any class or series of the preferred stock, in each case without any further action or vote by the stockholders. The Company has no current plans to issue any shares of preferred stock of any class or series.

One of the effects of undesignated preferred stock may be to enable the Board of Directors to render more difficult or to discourage an attempt to obtain control of the Company by means of a tender offer, proxy contest, merger or otherwise, and thereby to protect the continuity of the Company's management. The issuance of shares of preferred stock pursuant to the Board of Directors' authority described above may adversely affect the rights of the holders of Common Stock. For example, preferred stock issued by the

Company may rank prior to the Common Stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of Common Stock. Accordingly, the issuance of shares of preferred stock may discourage bids for the Common Stock at a premium or may otherwise adversely affect the market price of the Common Stock.

STATUTORY BUSINESS COMBINATION PROVISION

The Company is subject to the provisions of Section 203 of the Delaware General Corporation Law ("Section 203"). Section 203 provides, with certain exceptions, that a Delaware corporation may not engage in any of a broad range of business combinations with a person or an affiliate, or associate of such person, who is an "interested stockholder" for a period of three years from the date that such person became an interested stockholder unless: (i) the transaction resulting in a person becoming an interested stockholder, or the business combination, is approved by the Board of Directors of the corporation before the person becomes an interested stockholder, (ii) the interested stockholder acquired 85% or more of the outstanding voting stock of the corporation in the same transaction that makes such person an interested stockholder (excluding shares owned by persons who are both officers and directors of the corporation, and shares held by certain employee stock ownership plans) or (iii) on or after the date the person becomes an interested stockholder, the business combination is approved by the corporation's board of directors and by the holders of at least 66% of the corporation's outstanding voting stock at an annual or special meeting, excluding shares owned by the interested stockholder. Under Section 203, an "interested stockholder" is defined as any person who is (i) the owner of 15% or more of the outstanding voting stock of the corporation or (ii) an affiliate or associate of the corporation and who was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder.

A corporation may, at its option, exclude itself from the coverage of Section 203 by including in its certificate of incorporation or bylaws by action of its stockholders to exempt itself from coverage. The Company has not adopted such an amendment to its Amended and Restated Certificate of Incorporation or Bylaws.

LIMITATION ON DIRECTORS' LIABILITIES

Pursuant to the Company's Amended and Restated Certificate of Incorporation and under Delaware law, directors of the Company are not liable to the Company or its stockholders for monetary damages for breach of fiduciary duty, except for liability in connection with a breach of the duty of loyalty, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, for dividend payments or stock repurchases illegal under Delaware law or any transaction in which a director has derived an improper personal benefit. The Company has entered into indemnification agreements with its directors and executive officers which indemnify such person to the fullest extent permitted by its Amended and Restated Certificate of Incorporation, its Bylaws and the Delaware General Corporation Law. The Company also intends to obtain directors' and officers' liability insurance.

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION AND BYLAW PROVISIONS

The Company's Amended and Restated Certificate of Incorporation and Bylaws include provisions that may have the effect of discouraging, delaying or preventing a change in control of the Company or an unsolicited acquisition proposal that a stockholder might consider favorable, including a proposal that might result in the payment of a premium over the market price for the shares held by stockholders. These provisions are summarized in the following paragraphs.

Classified Board of Directors. The Amended and Restated Certificate of Incorporation provides for the Board of Directors to be divided into three classes of directors serving staggered three-year terms. The classification of the Board of Directors has the effect of requiring at least two annual stockholder meetings, instead of one, to replace a majority of members of the Board of Directors.

Supermajority Voting. The Amended and Restated Certificate of Incorporation requires the approval of the holders of at least 75% of the then outstanding shares of the Company's capital stock entitled to vote thereon and the approval of the holders of at least 75% of the then outstanding shares of each class of stock of the Company voting separately as a class on, among other things, certain amendments to the Amended and Restated Certificate of Incorporation. The Board of Directors may amend, alter, change or repeal any bylaws without the assent or vote of the stockholders, but any such bylaws may be altered, amended or repealed upon the affirmative vote of at least 66 2/3% of the stock entitled to vote thereon.

Authorized but Unissued or Undesignated Capital Stock. The Company's authorized capital stock will consist of 100,000,000 shares of Common Stock, 2,655,709 shares of Restricted Common Stock and 10,000,000 shares of preferred stock. After the Offering, the Company will have outstanding 23,365,337 shares of Common Stock (assuming the Underwriters' over-allotment option is not exercised). The authorized but unissued (and in the case of preferred stock, undesignated) stock may be issued by the Board of Directors in one or more transactions. In this regard, the Company's Amended and Restated Certificate of Incorporation grants the Board of Directors broad power to establish the rights and preferences of authorized and unissued preferred stock. The issuance of shares of preferred stock pursuant to the Board of Directors' authority described above could decrease the amount of earnings and assets available for distribution to holders of Common Stock and adversely affect the rights and powers, including voting rights, of such holders and may also have the effect of delaying, deferring or preventing a change in control of the Company. The Board of Directors does not currently intend to seek stockholder approval prior to any issuance of preferred stock, unless otherwise required by law.

Special Meeting of Stockholders. The Bylaws provide that special meetings of stockholders of the Company may only be called by the Chairman of the Board of Directors upon the written request of the Board of Directors pursuant to a resolution approved by a majority of the Board of Directors.

Stockholder Action by Written Consent. The Amended and Restated Certificate of Incorporation and Bylaws generally provide that any action required or permitted by the stockholders of the Company must be effected at a duly called annual or special meeting of the stockholders and may not be effected by any written consent of the stockholders.

Notice Procedures. The Bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as director, the removal of directors and amendments to the Amended and Restated Certificate of Incorporation or Bylaws to be brought before annual meetings of stockholders of the Company. These procedures provide that notice of such stockholder proposals must be timely given in writing to the Secretary of the Company prior to the annual meeting. Generally, to be timely, notice must be received at the principal executive offices of the Company not less than 80 days prior to an annual meeting (or if fewer than 90 days' notice or prior public disclosure of the date of the annual meeting is given or made by the Company, not later than the tenth day following the date on which the notice of the date of the annual meeting was mailed or such public disclosure was made). The notice must contain certain information specified in the Bylaws, including a brief description of the business desired to be brought before the annual meeting and certain information concerning the stockholder submitting the proposal.

Charter Provisions Relating to Rights Plan. The Amended and Restated Certificate of Incorporation authorizes the Board of Directors of the Company to create and issue rights (the "Rights") entitling the holders thereof to purchase from the Company shares of capital stock or other securities. The times at which, and the terms upon which, the Rights are to be issued may be determined by the Board of Directors and set forth in the contracts or instruments that evidence the Rights. The authority of the Board of Directors with respect to the Rights includes, but is not limited to, the determination of (i) the initial purchase price per share of the capital stock or other securities of the Company to be purchased upon exercise of the Rights, (ii) provisions relating to the times at which and the circumstances under which the Rights may be exercised or sold or otherwise transferred, either together with or separately from, any other securities of the Company, (iii) antidilutive provisions which adjust the number or exercise price of the Rights or amount or nature of the securities or other property receivable upon exercise of the Rights, (iv) provisions which deny the holder of a specified percentage of the outstanding securities of the Company the right to exercise the Rights and/or

cause the Rights held by such holder to become void, (v) provisions which permit the Company to redeem the Rights and (vi) the appointment of a rights agent with respect to the Rights. If authorized by the Board of Directors, the Rights would be intended to protect the Company's stockholders from certain non-negotiated takeover attempts which present the risk of a change of control on terms which may be less favorable to the Company's stockholder than would be available in a transaction negotiated with and approved by the Board of Directors. The Board of Directors believes that the interests of the stockholders generally are best served if any acquisition of the Company or a substantial percentage of the Company's Common Stock results from arm's-length negotiations and reflects the Board of Directors' careful consideration of the proposed terms of a transaction. In particular, the Rights if issued would be intended to help (i) reduce the risk of coercive two-tiered, front-end loaded or partial offers which may not offer fair value to all stockholders of the Company, (ii) deter market accumulators who through open market or private purchases may achieve a position of substantial influence or control without paying to stockholders a fair control premium and (iii) deter market accumulators who are simply interested in putting the Company "in play."

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Common Stock is Harris Trust and Savings Bank.

SHARES ELIGIBLE FOR FUTURE SALE

The market price of the Common Stock could be adversely affected by the sale of substantial amounts of Common Stock in the public market. All of the 7,000,000 shares sold in the Offering, except for shares acquired by affiliates of the Company, will be freely tradeable. Simultaneously with the closing of the Offering, the stockholders of the Founding Companies will receive, in the aggregate, 12,313,026 shares of Common Stock as a portion of the consideration for their businesses. Certain other stockholders of the Company will hold, in the aggregate, an additional 1,396,602 shares of Common Stock and 2,655,709 shares of Restricted Common Stock. None of these 16,365,337 shares was issued in a transaction registered under the Securities Act, and, accordingly, such shares may not be sold except in transactions registered under the Securities Act or pursuant to an exemption from registration, including the exemptions contained in Rules 144 and 701 under the Securities Act.

In general, under Rule 144 as currently in effect, a person, or persons whose shares are aggregated, who has beneficially owned his or her shares for at least one year but not more than two years, or a person who may be deemed an "affiliate" of the Company who has beneficially owned shares for at least one year, would be entitled to sell within any three month period a number of shares that does not exceed the greater of 1% of the then outstanding shares of the Common Stock or the average weekly trading volume of the Common Stock during the four calendar weeks preceding the date on which notice of the proposed sale is sent to the Securities and Exchange Commission. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about the Company. A person who is not deemed to have been an affiliate of the Company at any time for 90 days preceding a sale and who has beneficially owned his shares for at least two years would be entitled to sell such shares under Rule 144 without regard to the volume limitations, manner of sale provisions, notice requirements or the availability of current public information about the Company.

In general, under Rule 701 under the Securities Act, any employee, officer, or director of or consultant to the Company who purchased his or her shares pursuant to a written compensatory plan or contract is entitled to rely on the resale provisions of Rule 701. Such provisions permit nonaffiliates to sell their Rule 701 shares without having to comply with the public information, holding period, volume limitation, or notice provisions of Rule 144 and permit affiliates to sell their Rule 701 shares without having to comply with the Rule 144 holding period restrictions, in each case commencing 90 days after the commencement of the Offering.

The Company has authorized the issuance of 3,500,000 shares of its Common Stock in accordance with the terms of the Stock Option Plan. Options to purchase 300,000 shares have been granted under the Stock Option Plan and it is anticipated that approximately 2,100,000 shares of Common Stock will be granted upon closing of the Offering to certain other officers, directors and former stockholders of the Founding Companies.

The Company intends to file a registration statement on Form S-8 under the Securities Act registering the issuance of shares upon exercise of options granted under the Plan. As a result, such shares will be eligible for resale in the public market.

The Company currently intends to file a registration statement covering 6,000,000 additional shares of Common Stock under the Securities Act for its use in connection with future acquisitions. These shares generally will be freely tradeable after their issuance by persons not affiliated with the Company unless the Company contractually restricts their resale.

The Company has agreed not to (i) directly or indirectly, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or dispose of or transfer any shares of Common Stock or any securities convertible into or exchangeable or exercisable for Common Stock or file any registration statement under the Securities Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, for a period of 180 days from the date of this Prospectus without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of the Underwriters, except for (i) shares issued in connection with acquisitions, provided that (except with respect to shares issued in transactions not registered under the Securities Act), the recipients of such shares agree to be bound by similar restrictions and (ii) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to the Company's benefit plans described herein. In addition, the owners of the Founding Companies have agreed with the Company not to sell, contract to sell or otherwise dispose of any shares of Common Stock received as consideration in the Acquisitions for a period of two years following receipt thereof, subject to the rights of such holders to exercise their registration rights as described below.

Prior to the Offering, there has been no established trading market for the Common Stock, and no predictions can be made as to the effect that sales of Common Stock under Rule 144, pursuant to a registration statement, or otherwise, or the availability of shares of Common Stock for sale, will have on the market price prevailing from time to time. Sales of substantial amounts of Common Stock in the public market, or the perception that such sales could occur, could depress the prevailing market price. Such sales may also make it more difficult for the Company to issue or sell equity securities or equity-related securities in the future at a time and price that it deems appropriate. See "Risk Factors -- Shares Eligible for Future Sale."

Former stockholders of the Founding Companies, certain executive officers and directors are entitled to certain rights with respect to the registration of their shares of Common Stock under the Securities Act. In the aggregate, these groups hold 16,365,337 shares of Common Stock. If the Company proposes to register any of its securities under the Securities Act, such stockholders are entitled to notice of such registration and are entitled to include, at the Company's expense, all or a portion of their shares therein, subject to certain conditions. These registration rights will not apply to the registration statement the Company intends to file for use in future acquisitions or with respect to employee benefit plans.

UNDERWRITING

Subject to the terms and conditions set forth in the Purchase Agreement (the "Purchase Agreement") among the Company and each of the underwriters named below (the "Underwriters"), the Company has agreed to sell to each of the Underwriters, and each of the Underwriters severally has agreed to purchase from the Company, the aggregate number of shares of Common Stock set forth opposite its name below. The Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the shares of Common Stock offered hereby if any such shares are purchased.

UNDERWRITER -----	NUMBER OF SHARES -----
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	
Equitable Securities Corporation.....	
Sanders Morris Mundy Inc.....	
Total.....	----- 7,000,000 =====

The Underwriters have advised the Company that they propose initially to offer the shares of Common Stock to the public at the initial public offering price set forth on the cover page of this Prospectus, and to certain dealers at such price less a concession not in excess of \$ per share. The Underwriters may allow, and such dealers may reallow, a discount not in excess of \$ per share to certain other dealers. After the Offering, the initial public offering price, concession and discount may be changed.

The Company has granted the Underwriters an option, exercisable for 30 days after the date of this Prospectus, to purchase up to an aggregate of 1,050,000 additional shares of Common Stock at the initial public offering price set forth on the cover page hereof, less the underwriting discount. The Underwriters may exercise this option to cover overallotments, if any, made on the sale of the shares of Common Stock offered hereby. If the Underwriters exercise this option, each Underwriter will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage thereof which the number of shares of Common Stock to be purchased by it shown in the foregoing table bears to the 7,000,000 shares of Common Stock initially offered hereby.

The Company has agreed not to (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or dispose of or transfer any shares of Common Stock or any securities convertible into or exchangeable or exercisable for Common Stock or file any registration statement under the Securities Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, for a period of 180 days from the date of this Prospectus without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of the Underwriters, except for (i) shares issued in connection with acquisitions, provided that (except with respect to shares issued in transactions not registered under the Securities Act), the recipients of such shares agree to be bound by similar restrictions and (ii) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to the Company's benefit plans described herein.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Underwriters may be required to make in respect thereof.

Until the distribution of the Common Stock is completed, rules of the Commission may limit the ability of the Underwriters and certain selling group members to bid for and purchase the Common Stock. As an exception to these rules, the Underwriters are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Common Stock.

If the Underwriters create a short position in the Common Stock in connection with the Offering, (i.e., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus), the Underwriters may reduce that short position by purchasing Common Stock in the open market. The Underwriters may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

The Underwriters may also impose a penalty bid on certain Underwriters and selling group members. This means that if the Underwriters purchase shares of Common Stock in the open market to reduce the Underwriters' short position or to stabilize the price of the Common Stock, they may reclaim the amount of the selling concession from the Underwriters and selling group members who sold those shares as part of the Offering.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

Neither the Company nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, neither the Company nor any of the Underwriters makes any representation that the Underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Company intends to make application to list the Common Stock on the NYSE under the symbol "IEE."

The Underwriters have reserved for sale, at the initial public offering price, up to 700,000 shares of Common Stock for certain employees, directors and business associates of, and certain other persons designated by, the Company who have expressed an interest in purchasing such shares of Common Stock. The number of shares available for sale to the general public in the Offering will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered to the general public on the same basis as other shares offered hereby.

Prior to the Offering, there has been no established trading market for the shares of Common Stock. The initial public offering price for the Common Stock offered hereby has been determined by negotiations between the Company and the Underwriters. Among the factors considered in making such determination were the history of and the prospects for the industry in which the Company competes, an assessment of the Company's management, the past and present operations of the Founding Companies and the Company, the historical results of operations of the Founding Companies and the Company and the trend of its revenues and earnings, the prospects for future earnings of the Company, the general condition of prices of similar securities of generally comparable companies and other relevant factors. There can be no assurance that an active trading market will develop for the Common Stock or that the Common Stock will trade in the public market subsequent to the Offering at or above the initial public offering price.

The Underwriters have informed the Company that the Underwriters do not intend to confirm sales to any account over which they exercise discretionary authority.

LEGAL MATTERS

Certain legal matters in connection with the Common Stock being offered hereby will be passed upon for the Company by Andrews & Kurth L.L.P., Houston, Texas and for the Underwriters by Vinson & Elkins L.L.P., Houston, Texas.

EXPERTS

The audited financial statements of IES and the Founding Companies included in this Prospectus and elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (together with all amendments, schedules and exhibits thereto the "Registration Statement") under the Securities Act with respect to the Common Stock offered hereby. This Prospectus, which is included as part of the Registration Statement, does not contain all the information contained in the Registration Statement, certain portions of which have been omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Common Stock offered hereby, reference is made to the Registration Statement and the exhibits and schedules thereto. Statements made in the Prospectus as to the contents of any contract, agreement or other document are not necessarily complete; with respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference. The Registration Statement and the exhibits thereto may be inspected, without charge, at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices at Citicorp Center, 500 West Madison Street, Room 1400, Chicago, IL 60661, and 7 World Trade Center, Suite 1300, New York, NY 10048 or on the Internet at <http://www.sec.gov>. Copies of such material can also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

The Company intends to furnish its stockholders with annual reports containing audited financial statements examined by an independent public accounting firm for each fiscal year.

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INTEGRATED ELECTRICAL SERVICES, INC. AND FOUNDING COMPANIES

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS
BASIS OF PRESENTATION

The following unaudited pro forma combined financial statements give effect to (i) the acquisitions by Integrated Electrical Services, Inc. (IES), of the outstanding capital stock and other equity interests of Ace, Amber, Bexar-Calhoun, Daniel, Hatfield, Haymaker, Houston-Stafford, Mills, Muth, Pollock, Reynolds, Rodgers, Summit, Popp and Thurman & O'Connell (together, the Founding Companies), and related transactions, and (ii) the Offering (see below). The acquisitions (the Acquisitions) will occur simultaneously with the closing of IES's initial public offering (the Offering) and will be accounted for using the purchase method of accounting. Houston-Stafford has been identified as the accounting acquiror for financial statement presentation purposes.

The unaudited pro forma combined balance sheet gives effect to the Acquisitions and related transactions, and the Offering, as if they had occurred on June 30, 1997. The unaudited pro forma combined statements of operations give effect to these transactions as if they had occurred on October 1, 1995.

IES has preliminarily analyzed the savings that it expects to be realized from reductions in salaries, bonuses and certain benefits to the owners. To the extent the owners of the Founding Companies have contractually agreed to prospective reductions in salary, bonuses, benefits and lease payments, these reductions have been reflected in the unaudited pro forma combined statements of operations. With respect to other potential cost savings, IES has not and cannot quantify these savings until completion of the Acquisitions. It is anticipated that these savings will be offset by costs related to IES's new corporate management and by the costs associated with being a public company. However, because these costs cannot be accurately quantified at this time, they have not been included in the pro forma financial information of IES.

The pro forma adjustments are based on preliminary estimates, available information and certain assumptions that Company management deems appropriate and may be revised as additional information becomes available. The pro forma financial data do not purport to represent what IES's financial position or results of operations would actually have been if such transactions in fact had occurred on those dates and are not necessarily representative of IES's financial position or results of operations for any future period. Since the Founding Companies were not under common control or management, historical combined results may not be comparable to, or indicative of, future performance. The unaudited pro forma combined financial statements should be read in conjunction with the other financial statements and notes thereto included elsewhere in this Prospectus. See also "Risk Factors" included elsewhere herein.

INTEGRATED ELECTRICAL SERVICES, INC. AND FOUNDING COMPANIES

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

JUNE 30, 1997

(AMOUNTS IN THOUSANDS)

	AMBER	BEXAR- CALHOUN	DANIEL	HAYMAKER	HOUSTON- STAFFORD	MILLS	MUTH	POLLOCK
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents.....	\$ 759	\$ 782	\$ 343	\$ 13	\$ 3,647	\$ 2,021	\$ 9	\$ 15
Accounts receivable.....	2,629	5,576	5,043	2,598	10,294	14,034	3,063	4,330
Less -- Allowance.....	(47)	(120)	(114)	(65)	(385)	(351)	(80)	(188)
Accounts receivable, net.....	2,582	5,456	4,929	2,533	9,909	13,683	2,983	4,142
Costs and profits recognized in excess of billings.....	62	122	565	578	408	1,563	582	491
Other receivables.....	--	459	26	62	610	8	74	10
Inventories.....	20	728	68	--	2,531	76	919	18
Prepaid expenses and other.....	228	116	894	4	949	67	159	539
Total current assets.....	3,651	7,663	6,825	3,190	18,054	17,418	4,726	5,215
PROPERTY AND EQUIPMENT, NET AND OTHER ASSETS.....	565	5,266	527	60	4,107	2,727	1,080	379
GOODWILL, NET.....	--	--	--	--	--	--	--	--
Total assets.....	\$4,216	\$12,929	\$7,352	\$3,250	\$22,161	\$20,145	\$5,806	\$5,594
LIABILITIES AND STOCKHOLDERS' EQUITY								
CURRENT LIABILITIES:								
Current maturities of long-term debt.....	\$ 173	\$ 448	\$ 53	\$ 230	\$ 1,213	\$ 249	\$ 363	\$1,604
Accounts payable and accrued expenses.....	1,162	2,437	2,110	1,581	9,070	6,427	2,055	2,664
Payable to stockholder/affiliate.....	--	--	--	--	--	--	--	--
Billings in excess of costs and profits recognized.....	475	963	858	420	1,835	2,996	481	442
Income taxes payable.....	534	63	--	--	514	355	--	151
Other.....	81	1	81	--	372	--	--	25
Total current liabilities.....	2,425	3,912	3,102	2,231	13,004	10,027	2,899	4,886
LONG-TERM LIABILITIES:								
Long-term debt, net of current maturities.....	553	973	89	--	1,139	235	--	73
Deferred income taxes.....	52	79	--	--	49	--	--	21
Other long-term liabilities.....	--	426	483	--	1,140	5	--	--
Total long-term liabilities.....	605	1,478	572	--	2,328	240	--	94
COMMITMENTS AND CONTINGENCIES STOCKHOLDERS' EQUITY:								
Common stock.....	1	20	8	--	295	1	74	1
Restricted Common Stock.....	--	--	--	--	--	--	--	--
Additional paid-in capital.....	--	205	--	--	112	175	--	9
Retained earnings.....	1,619	7,314	3,670	1,019	7,547	9,753	2,833	604
Treasury stock.....	(434)	--	--	--	(1,125)	(51)	--	--
Total stockholders' equity.....	1,186	7,539	3,678	1,019	6,829	9,878	2,907	614
Total liabilities and stockholders' equity....	\$4,216	\$12,929	\$7,352	\$3,250	\$22,161	\$20,145	\$5,806	\$5,594

	SUMMIT	THURMAN & O'CONNELL	OTHER FOUNDING COMPANIES	IES	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED	POST MERGER ADJUSTMENTS
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents.....	\$ 32	\$1,480	\$1,676	\$ --	\$ (7,434)	\$ 3,343	\$ 25,079
Accounts receivable.....	2,856	562	4,036	--	--	55,021	--
Less -- Allowance.....	(122)	(14)	(71)	--	--	(1,557)	--
Accounts receivable, net.....	2,734	548	3,965	--	--	53,464	--
Costs and profits recognized in excess of billings.....	356	22	1,087	--	--	5,836	--
Other receivables.....	341	--	33	22	(882)	763	--
Inventories.....	--	178	352	--	--	4,890	--
Prepaid expenses and other.....	164	12	369	4	222	3,727	--
Total current assets.....	3,627	2,240	7,482	26	(8,094)	72,023	25,079
PROPERTY AND EQUIPMENT, NET AND OTHER ASSETS.....	202	317	1,424	--	(3,726)	12,928	--
GOODWILL, NET.....	--	--	--	--	114,296	114,296	--
Total assets.....	\$3,829	\$2,557	\$8,906	\$ 26	\$102,476	\$199,247	\$ 25,079
LIABILITIES AND STOCKHOLDERS' EQUITY							

CURRENT LIABILITIES:							
Current maturities of long-term debt.....	\$ 21	\$ 6	\$ 938	--	\$ 56,292	\$61,590	\$(61,302)
Accounts payable and accrued expenses.....	1,372	278	2,319	--	--	31,475	--
Payable to stockholder/affiliate.....	--	--	--	3	--	3	--
Billings in excess of costs and profits recognized.....	384	583	430	--	--	9,867	--
Income taxes payable.....	--	--	19	--	--	1,636	--
Other.....	938	--	72	--	1,998	3,568	--
Total current liabilities.....	2,715	867	3,778	3	58,290	108,139	(61,302)
LONG-TERM LIABILITIES:							
Long-term debt, net of current maturities.....	101	90	488	--	8,463	12,204	(759)
Deferred income taxes.....	11	--	80	--	879	1,171	--
Other long-term liabilities.....	--	--	6	--	--	2,060	--
Total long-term liabilities.....	112	90	574	--	9,342	15,435	(759)
COMMITMENTS AND CONTINGENCIES STOCKHOLDERS'							
EQUITY:							
Common stock.....	1	300	34	23	(621)	137	70
Restricted Common Stock.....	--	--	--	--	26	26	--
Additional paid-in capital.....	--	--	198	--	67,264	67,963	87,070
Retained earnings.....	1,001	1,300	4,352	--	(33,465)	7,547	--
Treasury stock.....	--	--	(30)	--	1,640	--	--
Total stockholders' equity.....	1,002	1,600	4,554	23	34,844	75,673	87,140
Total liabilities and stockholders' equity....	\$3,829	\$2,557	\$8,906	\$ 26	\$102,476	\$199,247	\$ 25,079

AS
ADJUSTED

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents.....	\$ 28,422
Accounts receivable.....	55,021
Less -- Allowance.....	(1,557)
Accounts receivable, net.....	53,464
Costs and profits recognized in excess of billings.....	5,836
Other receivables.....	763
Inventories.....	4,890
Prepaid expenses and other.....	3,727
Total current assets.....	97,102
PROPERTY AND EQUIPMENT, NET AND OTHER ASSETS.....	12,928
GOODWILL, NET.....	114,296
Total assets.....	\$224,326
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Current maturities of long-term debt.....	\$ 288
Accounts payable and accrued expenses.....	31,475
Payable to stockholder/affiliate.....	3
Billings in excess of costs and profits recognized.....	9,867
Income taxes payable.....	1,636
Other.....	3,568
Total current liabilities.....	46,837
LONG-TERM LIABILITIES:	
Long-term debt, net of current maturities.....	11,445
Deferred income taxes.....	1,171
Other long-term liabilities.....	2,060
Total long-term liabilities.....	14,676
COMMITMENTS AND CONTINGENCIES STOCKHOLDERS'	
EQUITY:	
Common stock.....	207
Restricted Common Stock.....	26
Additional paid-in capital.....	155,033
Retained earnings.....	7,547
Treasury stock.....	--
Total stockholders' equity.....	162,813
Total liabilities and stockholders' equity....	\$224,326

INTEGRATED ELECTRICAL SERVICES, INC. AND FOUNDING COMPANIES

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 1996
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	AMBER	BEXAR- CALHOUN	DANIEL	HAYMAKER	HOUSTON- STAFFORD	MILLS	MUTH	POLLOCK
REVENUES.....	\$13,878	\$33,023	\$12,585	\$7,560	\$70,493	\$65,439	\$16,830	\$15,816
COST OF SERVICES.....	12,215	25,017	9,713	6,412	57,662	50,535	12,834	13,534
Gross profit.....	1,663	8,006	2,872	1,148	12,831	14,904	3,996	2,282
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	1,160	3,686	1,884	713	7,810	7,643	2,957	2,463
GOODWILL AMORTIZATION.....	--	--	--	--	--	--	--	--
INCOME (LOSS) FROM OPERATIONS.....	503	4,320	988	435	5,021	7,261	1,039	(181)
OTHER INCOME (EXPENSE):								
Interest expense.....	(51)	(97)	(73)	--	(134)	(61)	(24)	(104)
Other, net.....	36	(76)	86	8	94	212	27	156
INCOME (LOSS) BEFORE INCOME TAXES...	488	4,147	1,001	443	4,981	7,412	1,042	(129)
PROVISION (BENEFIT) FOR INCOME TAXES.....	198	(28)	--	--	1,934	309	--	(30)
NET INCOME (LOSS).....	\$ 290	\$4,175	\$ 1,001	\$ 443	\$ 3,047	\$ 7,103	\$ 1,042	\$ (99)
NET INCOME PER SHARE.....								
SHARES USED IN COMPUTING PRO FORMA NET INCOME PER SHARE(1).....								

	SUMMIT	THURMAN & O'CONNELL	OTHER FOUNDING COMPANIES	IES	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
REVENUES.....	\$10,790	\$4,551	\$21,271	\$ --	\$ --	\$ 272,236
COST OF SERVICES.....	9,409	3,059	15,992	--	--	216,382
Gross profit.....	1,381	1,492	5,279	--	--	55,854
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	1,237	503	4,472	--	(5,982)	28,546
GOODWILL AMORTIZATION.....	--	--	--	--	2,857	2,857
INCOME (LOSS) FROM OPERATIONS.....	144	989	807	--	3,125	24,451
OTHER INCOME (EXPENSE):						
Interest expense.....	(56)	(8)	(90)	--	(312)	(1,010)
Other, net.....	25	65	96	--	250	979
INCOME (LOSS) BEFORE INCOME TAXES...	113	1,046	813	--	3,063	24,420
PROVISION (BENEFIT) FOR INCOME TAXES.....	43	36	59	--	7,915	10,436
NET INCOME (LOSS).....	\$ 70	\$1,010	\$ 754	\$ --	\$(4,852)	\$ 13,984
NET INCOME PER SHARE.....						\$ 0.64
SHARES USED IN COMPUTING PRO FORMA NET INCOME PER SHARE(1).....						21,693,969

(1) Includes (a) 2,655,709 shares issued to the IES founder, (b) 1,396,602 shares issued to management of IES, (c) 12,313,026 shares issued to owners of the Founding Companies and (d) 5,208,632 of the 7,000,000 shares sold in the Offering necessary to pay the cash portion of the Acquisitions consideration and expenses of this Offering. The 1,791,368 of Offering shares excluded reflect the net cash proceeds to IES. Additionally, includes 120,000 shares computed under the treasury stock method related to 300,000 options which are currently outstanding.

INTEGRATED ELECTRICAL SERVICES, INC. AND FOUNDING COMPANIES

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

1. GENERAL:

Integrated Electrical Services, Inc. (IES), was founded to create a leading national provider of electrical contracting and maintenance services to the commercial, industrial and residential markets. IES has conducted no operations to date and will acquire the Founding Companies concurrently with and as a condition of the closing of this Offering.

The historical financial statements reflect the financial position and results of operations of the Founding Companies and were derived from the respective Founding Companies' financial statements where indicated. The periods included in these financial statements for the individual Founding Companies are as of and for the nine months ended June 30, 1997, and for their fiscal years ended in 1996, with the exception of Summit for which the annual period is for the year ended September 30, 1996. The audited historical financial statements included elsewhere herein have been included in accordance with Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 80.

2. ACQUISITION OF FOUNDING COMPANIES:

Concurrently with and as a condition to the closing of this Offering, IES will acquire all of the outstanding capital stock and other equity interests of the Founding Companies. The acquisitions will be accounted for using the purchase method of accounting with Houston-Stafford being treated as the accounting acquiror.

The following table sets forth the consideration to be paid (a) in cash and (b) in shares of Common Stock to the common stockholders of each of the Founding Companies, other than the accounting acquiror (Houston-Stafford). For purposes of computing the estimated purchase price for accounting purposes, the value of the shares was determined using an estimated fair value of \$9.80 per share (or \$129.6 million), which is less than the estimated initial public offering price of \$14.00 per share due to restrictions on the sale and transferability of the shares issued. The total estimated purchase price of \$129.6 million for the acquisitions is based upon preliminary estimates and is subject to certain purchase price adjustments at and following closing. The table does not reflect distributions totaling \$17.8 million constituting substantially all of the Founding Companies' undistributed earnings previously taxed to their stockholders (S Corporation Distributions) or distributions of other nonoperating assets and liabilities prior to the Acquisitions.

	CASH	SHARES OF COMMON STOCK
	(IN THOUSANDS)	
Ace.....	\$ 892	191
Amber.....	2,486	533
Bexar-Calhoun.....	8,696	1,863
Daniel.....	3,975	852
Hatfield.....	972	208
Haymaker.....	2,029	435
Mills.....	11,637	2,494
Muth.....	2,209	473
Pollock.....	1,092	320
Reynolds.....	939	201
Rodgers.....	1,684	361
Summit.....	1,900	321
Popp.....	976	209
Thurman & O'Connell.....	2,331	500
	-----	-----
Total.....	\$41,818	8,961
	=====	=====

INTEGRATED ELECTRICAL SERVICES, INC. AND FOUNDING COMPANIES

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

3. UNAUDITED PRO FORMA COMBINED BALANCE SHEET ADJUSTMENTS:

- (a) Records the S Corporation Distributions of \$17.8 million, which is expected to be distributed using \$4.4 million of cash and \$2.5 million of net nonoperating assets, as well as new borrowings of \$10.9 million.
- (b) Records the liability for the cash portion of the consideration to be paid to Houston-Stafford, the accounting acquiror, and the merger of IES with Houston-Stafford.
- (c) Records distribution of certain nonoperating assets and liabilities by the Founding Companies prior to the Acquisitions.
- (d) Records the purchase of the Founding Companies by IES consisting of notes payable of \$41.8 million and 8,960,987 shares of Common Stock valued at \$9.80 per share (or \$87.8 million) for a total estimated purchase price of \$129.6 million resulting in excess purchase price of \$114.3 million over the net assets acquired of \$15.3 million (see Note 2).
- (e) Records the cash proceeds of \$87.1 million from the issuance of shares of IES Common Stock (based on an initial public offering price of \$14.00 per share) net of estimated offering costs of \$10.9 million. Offering costs primarily consist of underwriting discounts and commissions, accounting fees, legal fees and printing expenses.
- (f) Records payment of the cash portion of the consideration to the stockholders of the Founding Companies of \$57.5 million in connection with the Mergers and the expected repayment of outstanding short- and long-term debt totaling \$4.6 million.

The following table summarizes unaudited pro forma combined balance sheet adjustments (in thousands):

	ADJUSTMENT				PRO FORMA ADJUSTMENTS
	(A)	(B)	(C)	(D)	
ASSETS					
Current assets --					
Cash and cash equivalents.....	\$ (4,433)	\$ --	\$(3,001)	\$ --	\$ (7,434)
Other receivables.....	(47)	--	(835)	--	(882)
Prepaid expenses and other.....	(1,313)	--	(67)	1,602	222
Total current assets.....	(5,793)	--	(3,903)	1,602	(8,094)
Property and equipment, net and other assets.....	(2,773)	--	(953)	--	(3,726)
Goodwill, net.....	--	--	--	114,296	114,296
Total assets.....	\$ (8,566)	\$ --	\$(4,856)	\$115,898	\$102,476
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities --					
Current maturities of long-term debt.....	\$ (555)	\$ 15,643	\$ (614)	\$ 41,818	\$ 56,292
Payable to shareholder/affiliate.....	--	--	--	--	--
Unearned revenue and other current liabilities.....	--	--	--	1,998	1,998
Total current liabilities.....	(555)	15,643	(614)	43,816	58,290
Long-term debt, net of current maturities.....	9,753	--	(1,290)	--	8,463
Deferred income taxes.....	--	--	--	879	879
Total liabilities.....	9,198	15,643	(1,904)	44,695	67,632
Stockholders' equity --					
Common stock.....	--	(262)	--	(359)	(621)
Restricted common stock.....	--	--	--	26	26
Additional paid-in capital.....	--	(16,506)	--	83,770	67,264
Retained earnings.....	(17,764)	--	(2,952)	(12,749)	(33,465)
Treasury stock.....	--	1,125	--	515	1,640
Total stockholders' equity.....	(17,764)	(15,643)	(2,952)	71,203	34,844
Total liabilities and stockholders' equity.....	\$ (8,566)	\$ --	\$(4,856)	\$115,898	\$102,476

	ADJUSTMENT		POSTMERGER ADJUSTMENT
	(E)	(F)	
ASSETS			
Current assets --			
Cash and cash equivalents.....	\$87,140	\$(62,061)	\$ 25,079
Other.....	--	--	--

Total current assets.....	87,140	(62,061)	25,079
	-----	-----	-----
Total assets.....	\$87,140	\$(62,061)	\$ 25,079
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities --			
Current maturities of long-term debt.....	\$ --	\$(61,302)	\$(61,302)
Payable to stockholder/affiliate.....	--	--	--
	-----	-----	-----
Total current liabilities.....	--	(61,302)	(61,302)
Long-term debt, net of current maturities.....	--	(759)	(759)
	-----	-----	-----
Total liabilities.....	--	(62,061)	(62,061)
	-----	-----	-----
Stockholders' equity --			
Common stock.....	70	--	70
Restricted common stock.....	--	--	--
Additional paid-in capital.....	87,070	--	87,070
Retained earnings.....	--	--	--
Treasury stock.....	--	--	--
	-----	-----	-----
Total stockholders' equity.....	87,140	--	87,140
	-----	-----	-----
Total liabilities and stockholders' equity.....	\$87,140	\$(62,061)	\$ 25,079
	=====	=====	=====

INTEGRATED ELECTRICAL SERVICES, INC. AND FOUNDING COMPANIES

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

4. UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS ADJUSTMENTS:

YEAR ENDED SEPTEMBER 30, 1996

- (a) Reflects the \$6.0 million reduction in salaries, bonuses and benefits to the owners of the Founding Companies. These reductions in salaries, bonuses and benefits have been agreed prospectively in accordance with the terms of the employment agreements. Such employment agreements are primarily for five years, contain restrictions related to competition and provide severance for termination of employment in certain circumstances.
- (b) Reflects the amortization of goodwill to be recorded as a result of these Acquisitions over a 40-year estimated life, as well as a reduction in historical Founding Companies' minority interest expense attributable to minority interests that will be acquired as part of the transaction.
- (c) Reflects interest expense of \$1.0 million on borrowings of \$10.9 million necessary to fund the S Corporation Distributions, net of interest savings of \$.7 million on \$9.0 million of debt to be repaid using proceeds from the Offering or distributed prior to the Acquisitions.
- (d) Reflects the incremental provision for federal and state income taxes at a 38% overall tax rate before goodwill and other permanent items, relating to the other statements of operations adjustments and for income taxes on S Corporation income not provided for in the historical financial statements.

The following table summarizes unaudited pro forma combined statements of operations adjustments (in thousands):

	ADJUSTMENT				PRO FORMA ADJUSTMENTS
	(A)	(B)	(C)	(D)	
Selling, general and administrative expenses.....	\$(5,982)	\$ --	\$ --	\$ --	\$(5,982)
Goodwill amortization.....	--	2,857	--	--	2,857
Income (loss) from operations.....	5,982	(2,857)	--	--	3,125
Other income (expense) --					
Interest expense.....	--	--	(312)	--	(312)
Other, net.....	--	250	--	--	250
Income (loss) before income taxes...	5,982	(2,607)	(312)	--	3,063
Provision for income taxes.....	--	--	--	7,915	7,915
Net income (loss).....	\$ 5,982	\$(2,607)	\$(312)	\$(7,915)	\$(4,852)

INTEGRATED ELECTRICAL SERVICES, INC. AND FOUNDING COMPANIES

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

NINE MONTHS ENDED JUNE 30, 1997

- (a) Reflects the \$4.5 million reduction in salaries, bonuses and benefits to the owners of the Founding Companies. These reductions in salaries, bonuses and benefits have been agreed prospectively in accordance with the terms of the employment agreements. Such employment agreements are primarily for five years, contain restrictions related to competition and provide severance for termination of employment in certain circumstances.
- (b) Reflects the amortization of goodwill to be recorded as a result of these Acquisitions over a 40-year estimated life, as well as a reduction in historical Founding Company minority interest expense attributable to minority interests that will be acquired as part of the transaction.
- (c) Reflects interest expense of \$0.7 million on borrowings of \$10.9 million necessary to fund the S Corporation Distributions, net of interest savings of \$.5 million on \$9.0 million of debt repaid using proceeds from the Offering or distributed prior to the Acquisitions.
- (d) Reflects the incremental provision for federal and state income taxes, at a 38% overall tax rate before goodwill and other permanent items, relating to the other statements of operations adjustments and for income taxes on S Corporation income not provided for in the historical financial statements.

The following table summarizes unaudited pro forma combined statements of operations adjustments (in thousands):

	ADJUSTMENT				PRO FORMA ADJUSTMENTS
	(A)	(B)	(C)	(D)	
Selling, general and administrative expenses.....	\$ (4,486)	\$ --	\$ --	\$ --	\$ (4,486)
Goodwill amortization.....	--	2,143	--	--	2,143
Income (loss) from operations.....	4,486	(2,143)	--	--	2,343
Other income (expense) --					
Interest expense.....	--	--	(222)	--	(222)
Other, net.....	--	222	--	--	222
Income (loss) before income taxes.....	4,486	(1,921)	(222)	--	2,343
Provision for income taxes.....	--	--	--	5,904	5,904
Net income (loss).....	\$ 4,486	\$ (1,921)	\$ (222)	\$ (5,904)	\$ (3,561)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Houston-Stafford Electric, Inc.

We have audited the accompanying balance sheets of Houston-Stafford Electric, Inc., a Texas corporation, as of December 31, 1995 and 1996, and the related statements of operations, cash flows and stockholder's equity for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Houston-Stafford Electric, Inc. as of December 31, 1995 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
October 15, 1997

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HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY
(SEE NOTE 1)

BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

ASSETS

	DECEMBER 31,		JUNE 30,
	1995	1996	1997
			(UNAUDITED)
CURRENT ASSETS:			
Cash and cash equivalents.....	\$1,048	\$ 2,682	\$ 3,647
Accounts receivable --			
Trade, net of allowance of \$220, \$264 and \$385, respectively.....	4,605	5,445	7,928
Retainage.....	1,480	1,847	1,981
Inventories.....	337	346	2,531
Costs and estimated earnings in excess of billings on uncompleted contracts.....	259	247	408
Prepaid expenses and other current assets.....	560	663	801
	-----	-----	-----
Total current assets.....	8,289	11,230	17,296
RECEIVABLES FROM RELATED PARTIES.....	335	338	496
OTHER RECEIVABLES.....	210	166	114
GOODWILL AND OTHER INTANGIBLE ASSETS.....	--	23	2,070
OTHER NON-CURRENT ASSETS.....	38	41	148
PROPERTY AND EQUIPMENT, net.....	485	1,428	2,037
	-----	-----	-----
Total assets.....	\$9,357	\$13,226	\$22,161
	=====	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term debt.....	\$ 353	\$ 428	\$ 1,213
Accounts payable and accrued expenses.....	3,921	3,682	9,070
Billings in excess of costs and estimated earnings on uncompleted contracts.....	1,143	1,733	1,835
Other current liabilities.....	197	716	886
	-----	-----	-----
Total current liabilities.....	5,614	6,559	13,004
LONG-TERM DEBT, net of current maturities.....	634	1,295	1,139
OTHER NON-CURRENT LIABILITIES.....	5	21	1,189
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDER'S EQUITY:			
Common stock, \$5 par value, 500,000 shares authorized, 59,000 shares issued and 20,000 shares outstanding.....	295	295	295
Additional paid-in capital.....	112	112	112
Retained earnings.....	3,022	6,069	7,547
Treasury stock, 29,000 and 39,000 shares, at cost, respectively.....	(325)	(1,125)	(1,125)
	-----	-----	-----
Total stockholder's equity.....	3,104	5,351	6,829
	-----	-----	-----
Total liabilities and stockholder's equity.....	\$9,357	\$13,226	\$22,161
	=====	=====	=====

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

HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY
(SEE NOTE 1)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
REVENUES.....	\$48,001	\$54,082	\$70,493	\$35,299	\$37,508
COST OF SERVICES (including depreciation)....	42,163	46,712	57,662	29,162	30,098
Gross profit.....	5,838	7,370	12,831	6,137	7,410
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	5,319	6,027	7,810	2,730	4,982
Income from operations.....	519	1,343	5,021	3,407	2,428
OTHER INCOME (EXPENSE):					
Interest expense.....	(137)	(254)	(134)	(67)	(82)
Other.....	66	58	94	28	74
Other income (expense), net.....	(71)	(196)	(40)	(39)	(8)
INCOME BEFORE PROVISION FOR INCOME TAXES.....	448	1,147	4,981	3,368	2,420
PROVISION FOR INCOME TAXES.....	186	416	1,934	1,213	942
NET INCOME.....	\$ 262	\$ 731	\$ 3,047	\$ 2,155	\$ 1,478

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

HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY
(SEE NOTE 1)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1994	1995	1996	1996	1997
	(UNAUDITED)				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	\$ 262	\$ 731	\$ 3,047	\$ 2,155	\$ 1,478
Adjustments to reconcile net income to net cash provided by (used in) operating activities --					
Depreciation and amortization.....	55	76	133	51	105
Loss (gain) on sale of property and equipment.....	(29)	(5)	2	--	(13)
Changes in operating assets and liabilities --					
(Increase) decrease in --					
Accounts receivable.....	(1,725)	(625)	(1,237)	(2,975)	(1,663)
Inventories.....	(331)	315	(9)	--	(843)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	(298)	850	12	112	(160)
Prepaid expenses and other current assets.....	(31)	156	(85)	35	143
Increase (decrease) in --					
Accounts payable and accrued expenses.....	367	617	(239)	650	1,789
Billings in excess of costs and estimated earnings on uncompleted contracts.....	281	637	590	723	102
Other current liabilities.....	68	157	505	798	184
Other, net.....	28	(29)	(4)	4	(149)
Net cash provided by (used in) operating activities.....	(1,353)	2,880	2,715	1,553	973
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property and equipment.....	48	49	12	--	18
Additions of property and equipment.....	(64)	(145)	(642)	(216)	(194)
Advances to affiliates.....	--	--	--	--	(76)
Collections of notes receivable.....	--	--	--	--	6
Net cash used in investing activities.....	(16)	(96)	(630)	(216)	(246)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings of long-term debt.....	3,146	405	2,875	2,375	3,358
Payments of long-term debt.....	(1,543)	(2,397)	(3,326)	(2,602)	(3,120)
Distributions to stockholders.....	--	(15)	--	--	--
Net cash provided by (used in) financing activities.....	1,603	(2,007)	(451)	(227)	238
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	234	777	1,634	1,110	965
CASH AND CASH EQUIVALENTS, beginning of period.....	37	271	1,048	1,048	2,682
CASH AND CASH EQUIVALENTS, end of period.....	\$ 271	\$ 1,048	\$ 2,682	\$ 2,158	\$ 3,647
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid for --					
Interest.....	\$ 137	\$ 254	\$ 134	\$ 67	\$ 82
Income taxes.....	104	225	1,482	209	804

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

HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY
(SEE NOTE 1)

STATEMENTS OF STOCKHOLDER'S EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDER'S EQUITY
	SHARES	AMOUNT				
BALANCE, December 31, 1993.....	59,000	\$295	\$112	\$2,044	\$ (325)	\$2,126
Distributions to stockholders....	--	--	--	(15)	--	(15)
Net income.....	--	--	--	262	--	262
	-----	-----	-----	-----	-----	-----
BALANCE, December 31, 1994.....	59,000	295	112	2,291	(325)	2,373
Distributions to stockholders....	--	--	--	--	--	--
Net income.....	--	--	--	731	--	731
	-----	-----	-----	-----	-----	-----
BALANCE, December 31, 1995.....	59,000	295	112	3,022	(325)	3,104
Purchase of treasury stock.....	--	--	--	--	(800)	(800)
Net income.....	--	--	--	3,047	--	3,047
	-----	-----	-----	-----	-----	-----
BALANCE, December 31, 1996.....	59,000	295	112	6,069	(1,125)	5,351
Net income (unaudited).....	--	--	--	1,478	--	1,478
	-----	-----	-----	-----	-----	-----
BALANCE, June 30, 1997 (unaudited).....	59,000	\$295	\$112	\$7,547	\$(1,125)	\$6,829
	=====	=====	=====	=====	=====	=====

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

HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY

NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION AND BASIS OF PRESENTATION:

Houston-Stafford Electric, Inc. (the Company), a Texas corporation, focuses on providing electrical system installation and repair services primarily for residential and mid-sized to large commercial facilities. Work on new structures is performed primarily under fixed-price contracts. The Company performs the majority of its contract work under fixed-price contracts with contract terms ranging from six to 18 months. The Company performs the majority of its work in Texas and has operations in other states.

In April 1997, the Company indirectly acquired an electrical supply company from a third party for cash. The purchase of such electrical supply company has been reflected as a purchase business combination. Consequently, the accompanying financial statements reflect the consolidated results of operations and financial position of the Company and the acquired electrical supply company for periods subsequent to April 1997. All significant intercompany transactions and balances have been eliminated for those periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Interim Financial Information

The interim financial statements as of June 30, 1997, and for the six months ended June 30, 1996 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Supplemental Cash Flow Information (in thousands)

The Company had the following noncash investing and financing activities for the years ended December 31:

	1994	1995	1996
	----	----	----
Treasury stock purchased.....	--	--	\$800
Debt assumed in treasury stock purchase transaction.....	--	--	800
Purchase price of real property.....	--	--	496
Debt assumed in connection with purchase of property.....	--	--	368
Receivables reduced in connection with purchase of property.....	--	--	79

Inventories

Inventories consist of parts and supplies held for use in the ordinary course of business and are valued by the Company at the lower of cost or market using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation expense was \$55,000, \$76,000 and \$133,000 for the years ended December 31, 1994, 1995 and 1996, respectively.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. 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. Provisions for total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income. The effects of these revisions are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

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

Warranty Costs

For certain contracts, the Company warrants labor for the first year after installation of new electrical systems. The Company generally warrants labor for 30 days after servicing of existing electrical systems. A reserve for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

Accounts Receivable and Provision for Doubtful Accounts

Accounts receivable at December 31, 1995 and 1996, include approved claims and change orders which were expected to be collected within the fiscal year.

The Company provides an allowance for doubtful accounts based on a specified percentage of outstanding receivables and the specific identification of accounts receivable where collection is no longer probable.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109. Under this method, deferred assets and liabilities are recorded for future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and are measured using enacted tax rates and laws.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Reference is made to the "Revenue Recognition" section of this footnote and Note 11 for discussion of significant estimates reflected in the Company's financial statements.

HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

New Accounting Pronouncement

Effective January 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. The effect of any impairment would be to expense the difference between the fair value of such property and its carrying value. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

3. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31,	
		1995	1996
Land.....	N/A	\$ 236	\$ 461
Buildings.....	5-32	144	439
Transportation equipment.....	5	1,432	615
Machinery and equipment.....	3-10	329	370
Computer and telephone equipment.....	5-7	180	129
Building and Leasehold improvements.....	5-32	185	251
Furniture and fixtures.....	5-7	198	207
		2,704	2,472
Less -- Accumulated depreciation and amortization.....		(2,219)	(1,044)
Property and equipment, net.....		\$ 485	\$ 1,428

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Activity in the Company's allowance for doubtful accounts receivable consists of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Balance at beginning of period.....	\$ 395	\$220
Additions to costs and expenses.....	49	58
Deductions for uncollectible receivables written off and recoveries.....	(224)	(14)
Balance at end of period.....	\$ 220	\$264

Accounts payable and accrued expenses consist of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	\$2,210	\$1,748
Accrued compensation and other expenses.....	1,711	1,934
	\$3,921	\$3,682

HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Electrical system installation contracts in progress are as follows (in thousands):

	DECEMBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	\$ 15,370	\$ 22,926
Estimated earnings.....	2,193	4,269
	17,563	27,195
Less -- Billings to date.....	(18,447)	(28,681)
	\$ (884)	\$ (1,486)
	=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 259	\$ 247
Less -- Billings in excess of costs and estimated earnings on uncompleted contracts.....	(1,143)	(1,733)
	\$ (884)	\$ (1,486)
	=====	=====

5. LONG-TERM DEBT:

Long-term debt consists of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Note payable to an officer, dated August 1996, payable in monthly payments of \$12 including interest at a rate of 8%, maturing August 2003 and secured by treasury stock....	\$ --	\$ 766
Note payable to a bank, dated October 1994, payable in monthly payments of \$21 plus interest at prime plus .75%, maturing October 1998 and secured by trade receivables, inventory and equipment.....	729	458
Mortgage payable to an officer, dated April 1996, payable in monthly installments of \$4 including interest at 10%, maturing April 2001 and secured by certain real property.....	--	186
Mortgage payable to an individual, dated September 1996, payable in monthly installments of \$3 including interest at 9%, maturing October 2001 and secured by certain real property.....	--	130
Mortgage payable to a financial institution, dated December 1995, payable in monthly installments of \$1 including interest at 7.426%, maturing October 2112 and secured by certain real property.....	113	110
Mortgage payable to a bank, renewed January 1996, payable in monthly installments of \$2 plus interest at 9.25%, maturing January 1999 and secured by certain real property.....	70	48
Mortgage payable to a bank, assumed December 1996, payable in monthly installments of \$.5 including interest at 9.875%, maturing October 2006 and secured by certain real property.....	--	25
Other.....	75	--
	987	1,723
Less -- Current maturities.....	(353)	(428)
	\$ 634	\$ 1,295
	=====	=====
Total long-term debt.....	\$ 634	\$ 1,295

HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Principal payments due on long-term debt for each of the five years subsequent to December 31, 1996, are as follows (in thousands):

1997.....	\$ 428
1998.....	400
1999.....	186
2000.....	200
2001.....	174
Thereafter.....	335

Total.....	\$1,723
	=====

The Company has a line of credit with a bank in the amount of \$2,500,000. The line of credit note bears interest at prime plus 1/2 percent and matures July 1998. The Company did not have any borrowings outstanding at December 31, 1996 under the line of credit. The line of credit note is secured by the Company's trade receivables, inventory and equipment. Prime was 8.25 percent as of December 31, 1996.

6. LEASES:

The Company leases various facilities, at which it conducts some of its operations, under operating leases from third parties. Lease expiration dates and approximate lease payments for the years ending December 31, 1995 and 1996, are as follows (in thousands):

LOCATION -----	EXPIRATION -----	1995 ----	1996 ----
Austin.....	October 31, 1997	\$ 7	\$ 2
S.A. Com.....	August 15, 1999	--	3
Fort Worth.....	September 21, 2000	14	14
Acworth.....	November 30, 2002	7	7
Duluth.....	February 28, 1998	18	18
Nevada.....	January 31, 1998	--	13
Polaris.....	December 31, 1997	--	6
		----	----
		\$46	\$63
		===	===

Future minimum lease payments under these noncancelable operating leases are as follows (in thousands):

Year ending December 31 --	
1997.....	\$ 97
1998.....	95
1999.....	76
2000.....	51
2001.....	24
Thereafter.....	23

	\$366
	=====

For a discussion of leases with certain related parties, see Note 8.

HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

7. INCOME TAXES (IN THOUSANDS):

Federal and state income taxes are as follows:

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
Federal --			
Current.....	\$158	\$372	\$1,455
Deferred.....	28	(9)	235
State --			
Current.....	--	54	210
Deferred.....	--	(1)	34
	\$186	\$416	\$1,934
	====	====	=====

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate rate of 35 percent to income before provision for income taxes as follows:

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
Provision at the statutory rate.....	\$157	\$401	\$1,743
Increase resulting from --			
Non-deductible expenses.....	29	(19)	32
State income tax, net of benefit for federal deduction....	--	34	159
	\$186	\$416	\$1,934
	====	====	=====

Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effects of these temporary differences, representing deferred tax assets and liabilities, result principally from the following:

	DECEMBER 31,	
	1995	1996
Deferred income tax assets --		
Bad debts.....	\$ 148	\$ 137
Reserves and accrued expenses.....	386	365
Other.....	1	--
Total deferred income tax asset.....	535	502
Deferred income tax liabilities --		
Property and equipment.....	\$ --	\$ (21)
Deferred contract revenue.....	(138)	(353)
Total deferred income tax liability.....	\$(138)	\$(374)
Net deferred income tax asset.....	\$ 397	\$ 128
	====	====

HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The net deferred tax assets and liabilities are comprised of the following:

	DECEMBER 31,	
	1995	1996
Deferred tax assets --		
Current.....	\$ 535	\$ 502
Long-term.....	--	--
Total.....	535	502
Deferred tax liabilities --		
Current.....	(138)	(21)
Long-term.....	--	(353)
Total.....	\$(138)	\$(374)

8. RELATED-PARTY TRANSACTIONS:

The Company is owned by Roy D. Brown and conducts business with the following affiliated entities:

Houston-Stafford Plumbing, Inc.	T and R Development
Key Electrical Supply, Inc.	Ten Ninety Two, Ltd.
HSC Building Co., Inc.	Lite Management
Brown-Mueller Joint Venture	Hospital Solutions, Inc.

At December 31, 1996, the Company was due \$24,361 from Key Electrical Supply, Inc., and the Company owed \$13,163 to Houston-Stafford Plumbing, Inc. The Company was due \$23,000 and \$25,000 from Lite Management and Hospital Solutions, Inc., respectively.

The Company has advanced funds in the amount of \$106,638 to T and R Development (a partnership co-owned by Roy Brown). The principal of the Company had an outstanding balance of \$84,840 due the Company at December 31, 1996. Ben Mueller, an officer of the Company, owed \$25,943 to the Company at December 31, 1996.

The Company leases certain real properties from Brown-Mueller Joint Venture (co-owned by Roy Brown) for use as electrical shops. These leases are open without binding contracts. The annual rentals for 1996 and 1995, approximated \$243,000 and \$62,000, respectively. Brown-Mueller Joint Venture owed the Company \$2,457 at December 31, 1996.

The Company received two pieces of real property in exchange for the elimination of a balance due from HSC Building Co., Inc., of \$79,449 and the assumption of a note due by HSC Building Co., Inc., of \$25,376.

As of December 31, 1996, the Company did not have a balance due to or from HSC Building Co., Inc.

In May 1996, the Company acquired a building and land at a cost of \$220,115. The financing for the acquisition was provided by an officer of the Company, Ben Mueller. An installment promissory note of \$208,123 was signed by the Company. The note is payable over five years at 10 percent interest.

In August 1996, the Company negotiated the purchase of the stock of Ben Mueller, a principal who had a one-third interest. The selling price of the shares totaled \$800,000. The Company has signed an installment promissory note which will provide for the payout of \$800,000 over seven years at 8 percent interest and is secured by the purchased stock.

Certain costs incurred by the Company are allocated to other affiliated companies on the basis of gross payroll dollars.

HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

As a result of the acquisition of the electrical supply company, the Company assumed two non-compete agreements with certain related parties. The total amount due under these lease agreements at June 30, 1997 is \$1,139,500.

9. EMPLOYEE BENEFIT PLAN:

The Company has a defined contribution benefit plan. The Company may make discretionary contributions. Through December 31, 1996, the Company has made no contributions to the plan.

10. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, receivables from related parties, other receivables, accounts payable, a line of credit, notes payable and long-term debt. The Company believes that the carrying value of these instruments on the accompanying balance sheets approximates their fair value.

11. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

Insurance

The Company carries a broad range of insurance coverage, including business auto liability, general liability and an umbrella policy. The Company also carries employment practices liability coverage. The Company has not incurred significant uninsured losses on any of these items.

Additionally, the Company provides workers' compensation coverage. The policy has no deductible and provides coverage in the amount of \$500,000 per accident.

During 1997, a general contractor with which the Company does business acquired a line of credit from a bank on which the Company agreed to act as 2nd guarantor. This guaranty expires in October of 1997 and is in the amount of \$750,000.

12. MAJOR CUSTOMERS AND RISK CONCENTRATION:

The Company had sales of approximately 15 percent and 11 percent of total sales to one major customer during the years ended December 31, 1995 and 1996, respectively.

In addition, the Company grants credit, generally without collateral, to its customers, which are general contractors and home builders, located primarily in Texas. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within the Texas construction and home-building market. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize any potential credit risk.

The Company routinely maintains cash balances in financial institutions in excess of federally insured limits.

HOUSTON-STAFFORD ELECTRIC, INC. AND CONSOLIDATED ENTITY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

13. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT (UNAUDITED):

In October 1997, the Company and its stockholders entered into a definitive agreement with Integrated Electrical Services, Inc. (IES), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of IES common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by IES. In addition, the key executives of the Company entered into employment agreements with the Company and IES which have an initial term of five years, and generally restrict the disclosure of confidential information as well as restrict competition with the Company and IES for a period of two years following termination of employment.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Integrated Electrical Services, Inc.:

We have audited the accompanying balance sheet of Integrated Electrical Services, Inc., a Delaware corporation, as of June 30, 1997, and the related statements of operations, cash flows and stockholders' equity for the period from inception (June 26, 1997) through June 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Integrated Electrical Services, Inc., as of June 30, 1997, and the results of its operations and its cash flows for the period from inception (June 26, 1997) through June 30, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
October 15, 1997

INTEGRATED ELECTRICAL SERVICES, INC.

BALANCE SHEET -- JUNE 30, 1997
 (IN THOUSANDS, EXCEPT SHARE INFORMATION)

ASSETS

CASH AND CASH EQUIVALENTS.....	\$--
RECEIVABLE FROM STOCKHOLDERS.....	22
DEFERRED OFFERING COSTS.....	4

Total assets.....	\$26
	===
LIABILITIES AND STOCKHOLDERS' EQUITY	
ACCRUED LIABILITIES AND AMOUNTS DUE TO STOCKHOLDER.....	\$ 3
STOCKHOLDERS' EQUITY:	
Preferred stock, \$.01 par value, 10,000,000 authorized, none issued and outstanding.....	--
Common stock, \$.01 par value, 100,000,000 shares authorized, 2,329,569 shares issued and outstanding....	23
Additional paid-in capital.....	--
Retained deficit.....	--

Total stockholders' equity.....	23

Total liabilities and stockholders' equity.....	\$26
	===

Reflects a 2,329.6-for-one stock split effected in October 1997.

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

INTEGRATED ELECTRICAL SERVICES, INC.

STATEMENT OF OPERATIONS
FOR THE PERIOD FROM INCEPTION
(JUNE 26, 1997) THROUGH JUNE 30, 1997
(IN THOUSANDS)

REVENUES.....	\$	--
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....		--

LOSS BEFORE INCOME TAXES.....		--
PROVISION FOR INCOME TAXES.....		--

NET LOSS.....	\$	--
	=====	

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

INTEGRATED ELECTRICAL SERVICES, INC.

STATEMENT OF CASH FLOWS
 FOR THE PERIOD FROM INCEPTION
 (JUNE 26, 1997) THROUGH JUNE 30, 1997
 (IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss.....	\$--
Adjustments to reconcile net loss to net cash used in operating activities --	
Changes in assets and liabilities --	
Increase in deferred offering costs.....	(4)
Increase in accrued liabilities and amounts due to stockholder.....	3

Net cash used in operating activities.....	(1)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Initial capitalization.....	1

Net cash provided by financing activities.....	1

NET INCREASE IN CASH AND CASH EQUIVALENTS.....	--
CASH AND CASH EQUIVALENTS, beginning of period.....	--

CASH AND CASH EQUIVALENTS, end of period.....	\$--
	===

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

INTEGRATED ELECTRICAL SERVICES, INC.

STATEMENT OF STOCKHOLDERS' EQUITY
 FOR THE PERIOD FROM INCEPTION
 (JUNE 26, 1997) THROUGH JUNE 30, 1997
 (IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT			
INITIAL CAPITALIZATION, June 26, 1997...	2,329,569	\$23	\$--	\$--	\$23
NET INCOME (LOSS).....	--	--	--	--	--
BALANCE, June 30, 1997.....	2,329,569	\$23	\$--	\$--	\$23
	=====	===	===	===	===

- - - - -

Reflects a 2,329.6-for-one stock split effected in October 1997.

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

INTEGRATED ELECTRICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Integrated Electrical Services, Inc., a Delaware corporation (IES or the Company), was founded in June 1997 to create a leading national provider of electrical contracting and maintenance services, focusing primarily on the residential, commercial and industrial markets. IES intends to acquire certain U.S. businesses (the Acquisitions), complete an initial public offering (the Offering) of its common stock and, subsequent to the Offering, continue to acquire through merger or purchase similar companies to expand its national and regional operations.

IES has not conducted any operations, and all activities to date have related to the Offering and the Acquisitions. All expenditures of the Company to date have been funded by its current primary stockholder, on behalf of the Company. The Company's primary stockholder has also committed to fund future organization expenses and offering costs. As of June 30, 1997, costs of approximately \$4,000 have been incurred in connection with the Offering, and such costs will be treated as a reduction of the proceeds from the Offering. IES has treated these costs as deferred offering costs in the accompanying balance sheet. IES is dependent upon the Offering to execute the pending Acquisitions and to repay its current primary stockholder for funding deferred offering costs. There is no assurance that the pending Acquisitions will be completed. The ability of IES to generate future operating revenues is dependent upon the ability of the Company to manage the effect on the combined companies of changes in demand for commercial and residential construction, the effect of business growth, including the availability of electricians, and the need for other key personnel. These risk factors are discussed in more detail in "Risk Factors".

2. STOCKHOLDERS' EQUITY:

Common Stock and Preferred Stock

In connection with the organization and initial capitalization of IES, the Company issued 2,329,569 shares (as restated for the 2,329.6-for-one stock split discussed in Note 4) of common stock at \$.01 par value (Common Stock). Subsequent to June 30, 1997, IES issued another 1,722,742 shares (as restated for the 2,329.6-for-one stock split discussed in Note 4) of Common Stock at \$.01 par value to the founder of IES and certain management of IES. Consequently, as of September 30, 1997, and as restated for the 2,329.6-for-one stock split discussed in Note 4, the Company had issued 2,655,709 shares to its founder and an aggregate of 1,396,602 shares to the executive management of the Company. As a result of the issuance of shares to management, the Company recorded in September 1997 for financial statement presentation purposes, a nonrecurring, noncash compensation charge of \$12.7 million, which is calculated based on the estimated initial public offering price.

Stock Plan

In October 1997, the Company's board of directors and stockholders approved the Company's 1997 Stock Plan (the Plan), which provides for the granting or awarding of incentive or nonqualified stock options, stock appreciation rights, restricted or phantom stock, and other incentive awards to directors, officers, key employees and consultants of the Company. The number of shares authorized and reserved for issuance under the Plan is the greater of 3.5 million shares or 15% of the aggregate number of shares of Common Stock outstanding. The terms of the option awards will be established by the Compensation Committee of the Company's board of directors. The Company intends to file a registration statement on Form S-8 under the Securities Act registering the issuance of shares upon exercise of options granted under this Plan. The Company expects to grant nonqualified stock options to purchase a total of approximately 2.1 million shares of Common Stock to key employees of the Company at the initial public offering price upon consummation of the Offering. These options will vest at the rate of 20 percent per year, commencing on the first anniversary of the grant date and will expire ten years from the date of grant, three months following termination of

INTEGRATED ELECTRICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

employment due to death or disability, or one year following termination of employment by means other than death or disability.

Directors' Stock Plan

In October 1997, the Company's board of directors and stockholders approved the 1997 Directors' Stock Plan (the Directors' Plan), which provides for the granting or awarding of stock options to nonemployees. The number of shares authorized and reserved for issuance under the Directors' Plan is 250,000 shares. The Directors' Plan provides for the automatic grant of options to purchase 5,000 shares to each nonemployee director serving in such capacity at the commencement of the offering.

Each nonemployee director will be granted options to purchase an additional 5,000 shares at the time of an initial election of such director. In addition, each director will be automatically granted options to purchase 5,000 shares annually at each September 30 on which such director remains a director. All options will have an exercise price based on the fair market value at the date of grant and have vesting terms similar to options granted under the Stock Plan discussed above.

The Directors' Plan allows nonemployee directors to receive additional option grants in amounts and at terms as deemed appropriate by the Company's board of directors.

3. STOCK-BASED COMPENSATION:

Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," allows entities to choose between a new fair value method of accounting for employee stock options or similar equity instruments and the current method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25 under which compensation expense is recorded to the extent that the fair market value of the related stock is in excess of the options exercise price at date of grant. Entities electing to remain with the accounting in APB Opinion No. 25 must make pro forma disclosures of net income and earnings per share as if the fair value method of accounting prescribed in SFAS No. 123 had been applied. The Company will measure compensation expense attributable to stock options based on the method prescribed in APB Opinion No. 25 and will provide the required pro forma disclosure of net income and earnings per share, as applicable, in the notes to future consolidated annual financial statements.

INTEGRATED ELECTRICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

4. EVENTS SUBSEQUENT TO THE DATE OF AUDITORS' REPORT (UNAUDITED):

IES effected a 2,329.6-for-one stock split in October 1997, for each share of common stock of the Company then outstanding. In addition, the Company increased the number of authorized shares of Common Stock to 100,000,000 and increased the number of authorized shares of \$.01 par value preferred stock to 10,000,000. The effects of the Common Stock split and the increase in the shares of authorized Common Stock have been retroactively reflected on the balance sheet, statement of stockholders' equity and in the accompanying notes. Additionally, the difference between the initial capitalization and the par value of Common Stock outstanding subsequent to the stock split has been reflected as a receivable from stockholders in the accompanying balance sheet.

The 2,655,709 shares of Common Stock held by the founder of IES were converted into 2,655,709 shares of restricted common stock. The shares of restricted common stock have rights similar to shares of Common Stock, except that such shares are entitled to elect one member of the board of directors and are entitled to one-half of one vote for each share held on all other matters. Each share of restricted common stock will convert into Common Stock (i) upon disposition by the holder of such shares, (ii) in the event that any person acquires, or offers to acquire, 15% or more of the total outstanding shares of Common Stock, or (iii) at the discretion of the Company's board of directors after January 1, 2000.

IES has signed definitive agreements to acquire the following entities (the Founding Companies) to be effective contemporaneously with the Offering. The entities to be acquired are:

- Ace Electric, Inc.
- Amber Electric, Inc.
- BW Consolidated, Inc. and Subsidiaries
- Daniel Electrical Contractors, Inc. and Daniel Electrical of Treasure Coast, Inc.
- Hatfield Electric, Inc.
- Haymaker Electric, Ltd.
- Houston-Stafford Electric, Inc. and Stark Investments, Inc.
- Mills Electrical Contractors, Inc. and Subsidiaries
- Muth Electric, Inc.
- Pollock Electric, Inc.
- Reynolds Electric Corp.
- Rodgers Electric Co., Inc.
- Summit Electric of Texas, Inc.
- Thomas Popp & Co., Inc.
- Thurman & O'Connell Corp.

The aggregate consideration that will be paid by IES to acquire the Founding Companies is approximately \$57.5 million in cash and 12.3 million shares of Common Stock.

In addition, the Company has entered into employment agreements with certain key executives of the Founding Companies and the executive officers of IES. These employment agreements generally prohibit such individuals from disclosing confidential information and trade secrets, and restrict such individuals from competing with the Company for a period of two years following termination of employment. The initial term of these employment agreements is five years with provisions for annual extensions at the end of the initial term.

On October 24, 1997, IES filed a registration statement on Form S-1 for the sale of its Common Stock.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Mills Electrical Contractors, Inc. and Subsidiary:

We have audited the accompanying consolidated balance sheets of Mills Electrical Contractors, Inc., a Texas corporation, and Subsidiary as of December 31, 1995 and 1996, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mills Electrical Contractors, Inc. and Subsidiary as of December 31, 1995 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
October 15, 1997

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

ASSETS

	DECEMBER 31,		JUNE 30,
	1995	1996	1997
			(UNAUDITED)
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 1,808	\$ 5,239	\$ 2,021
Accounts receivable --			
Trade, net of allowance of \$148, \$252 and \$311, respectively.....	6,251	10,121	11,885
Retainage, net of allowance of \$20, \$74 and \$39, respectively.....	796	2,669	1,538
Related parties.....	3	208	260
Other receivables.....	307	1,055	8
Inventories, net.....	69	49	76
Costs and estimated earnings in excess of billings on uncompleted contracts.....	131	329	1,563
Prepaid expenses and other current assets.....	29	118	67
	-----	-----	-----
Total current assets.....	9,394	19,788	17,418
PROPERTY AND EQUIPMENT, net.....	912	1,675	2,145
GOODWILL, net.....	--	180	175
OTHER ASSETS.....	340	394	407
	-----	-----	-----
Total assets.....	\$10,646	\$22,037	\$20,145
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term debt.....	\$ 131	\$ 294	\$ 249
Accounts payable and accrued expenses --			
Trade.....	4,439	8,886	6,768
Related parties.....	23	633	14
Billings in excess of costs and estimated earnings on uncompleted contracts.....	1,746	4,523	2,996
Unearned revenue and other current liabilities.....	98	--	--
	-----	-----	-----
Total current liabilities.....	6,437	14,336	10,027
LONG-TERM DEBT, net of current maturities.....	260	333	235
MINORITY INTEREST.....	--	3	5
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Common stock, \$1 par value, 1,000 shares authorized, 855 shares issued and 727 shares outstanding.....	1	1	1
Additional paid-in capital.....	175	175	175
Retained earnings.....	3,824	7,240	9,753
Treasury stock, 128 shares, at cost.....	(51)	(51)	(51)
	-----	-----	-----
Total stockholders' equity.....	3,949	7,365	9,878
	-----	-----	-----
Total liabilities and stockholders' equity.....	\$10,646	\$22,037	\$20,145
	=====	=====	=====

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

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
REVENUES.....	\$25,544	\$35,250	\$65,439	\$27,902	\$35,613
COST OF SERVICES (including depreciation and amortization).....	20,937	27,372	50,535	22,089	29,636
Gross profit.....	4,607	7,878	14,904	5,813	5,977
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	3,391	4,741	7,643	2,236	3,355
Income from operations.....	1,216	3,137	7,261	3,577	2,622
OTHER INCOME (EXPENSE):					
Interest expense.....	(22)	(56)	(61)	(22)	(18)
Other.....	92	195	215	78	159
Other income (expense), net.....	70	139	154	56	141
INCOME BEFORE MINORITY INTEREST AND PROVISION FOR STATE INCOME TAXES.....	1,286	3,276	7,415	3,633	2,763
Minority interest in net income of subsidiary.....	--	--	(3)	--	(2)
INCOME BEFORE PROVISION FOR STATE INCOME TAXES.....	1,286	3,276	7,412	3,633	2,761
Provision for state income taxes.....	52	131	309	129	116
NET INCOME.....	\$ 1,234	\$ 3,145	\$ 7,103	\$ 3,504	\$ 2,645

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

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

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

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCE, December 31, 1993.....	855	\$ 1	\$ 11	\$ 1,808	\$(68)	\$ 1,752
Sale of 42 shares of treasury stock.....	--	--	164	--	17	181
Distributions to stockholders.....	--	--	--	(147)	--	(147)
Net income.....	--	--	--	1,234	--	1,234
BALANCE, December 31, 1994.....	855	1	175	2,895	(51)	3,020
Distributions to stockholders.....	--	--	--	(2,216)	--	(2,216)
Net income.....	--	--	--	3,145	--	3,145
BALANCE, December 31, 1995.....	855	1	175	3,824	(51)	3,949
Distributions to stockholders.....	--	--	--	(3,687)	--	(3,687)
Net income.....	--	--	--	7,103	--	7,103
BALANCE, December 31, 1996.....	855	1	175	7,240	(51)	7,365
Distributions to stockholders (unaudited).....	--	--	--	(132)	--	(132)
Net income (unaudited).....	--	--	--	2,645	--	2,645
BALANCE, June 30, 1997 (unaudited)..	855	\$ 1	\$175	\$ 9,753	\$(51)	\$ 9,878
	===	===	====	=====	====	=====

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

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

The accompanying consolidated financial statements include the accounts of Mills Electrical Contractors, Inc. (Mills), a Texas corporation, and its 99 percent owned subsidiary, Fort Worth Regional Electrical Systems, L.L.C. (RES), a Texas limited liability company (collectively, the Company). The subsidiary was formed during 1996. In September 1997, Mills sold 10% of the capital stock of RES to an officer of RES at net book value per share resulting in proceeds to the Company of \$71,000. Financial statements prior to 1996 reflect only the accounts of Mills, Inc. All significant intercompany transactions have been eliminated in consolidation.

The Company focuses on providing electrical system installation and repair services primarily for mid-sized to large commercial facilities as well as residential facilities. The Company performs the majority of its contract work under fixed price contracts, with contract terms generally ranging from 12 to 36 months. The Company performs the majority of its work in the Dallas-Fort Worth, Texas, area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Interim Financial Information

The interim financial statements as of June 30, 1997, and for the six months ended June 30, 1996 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Supplemental Cash Flow Information (in thousands)

The Company had the following noncash investing and financing activities for the years ended December 31, 1994, 1995 and 1996:

	1994	1995	1996
	----	----	----
Property acquired in capital lease transactions.....	\$290	\$195	\$254
Goodwill recognized in purchase transactions.....	\$ --	\$ --	\$185

Inventories

Inventories consist of parts and supplies held for use in the ordinary course of business and are stated at the lower of cost, net of an allowance for obsolescence, or market using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation and amortization expense was \$179,000, \$253,000 and \$379,000 for the years ended December 31, 1994, 1995 and 1996, respectively.

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In June 1996, RES agreed to purchase a business, consisting of equipment in a capital lease transaction and an agreement to lease a building under an operating lease, as well as purchased the rights to the name "Regional Electric Systems" from an individual who became an officer of RES. The acquired assets were recorded at their estimated fair market value using the purchase method of accounting. The transaction resulted in the recognition of goodwill of approximately \$185,000 which is being amortized over a 20 year period.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools and repairs. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

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

Warranty Costs

For certain contracts, the Company warrants labor for the first year after installation of new electrical systems. The Company generally warrants labor for 30 days after servicing of existing electrical systems. A reserve for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

Accounts Receivable and Provision for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer probable and a general reserve based upon the total trade and retainage accounts receivable balances.

Income Taxes

The Company has elected S Corporation status as defined by the Internal Revenue Code, whereby the Company itself is not subject to taxation for federal purposes. Under S Corporation status, the stockholders report their share of the Company's taxable earnings or losses in their personal tax returns. Consequently, the accompanying financial statements of the Company include only a provision for state income taxes and do not

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

include a provision for current or deferred federal income taxes. The Company intends to terminate its S Corporation status concurrently with the effective date of the Offering.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Reference is made to the "Revenue Recognition" section of this footnote and Note 11 for discussion of significant estimates reflected in the Company's financial statements.

New Accounting Pronouncement

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. The effect of any impairment would be to expense the difference between the fair value of such property and its carrying value. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

3. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31,	
		1995	1996
Transportation equipment.....	3-5	\$ 788	\$ 1,031
Machinery and equipment.....	5	785	1,071
Leasehold improvements.....	5-10	170	330
Furniture and fixtures.....	5	591	901
Less -- Accumulated depreciation and amortization...		(1,422)	(1,658)
Property and equipment, net.....		\$ 912	\$ 1,675

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Activity in the Company's allowance for doubtful accounts receivable consists of the following (in thousands):

	DECEMBER 31,		
	1994	1995	1996
Balance at beginning of period.....	\$ 77	\$128	\$168
Additions to costs and expenses.....	51	40	158
Balance at end of period.....	\$128	\$168	\$326

Included as a component of other receivables at December 31, 1995, is a note receivable from a corporation of \$291,000 with interest at 10 percent per annum. This note was collected during 1996.

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Accounts payable and accrued expenses, trade consist of the following:

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	\$2,236	\$4,922
Accrued compensation and benefits.....	1,608	3,423
Other accrued expenses.....	595	541
	-----	-----
	\$4,439	\$8,886
	=====	=====

Electrical system installation contracts in progress are as follows:

	DECEMBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	\$33,016	\$55,954
Estimated earnings, net of losses.....	7,090	15,879
	-----	-----
	40,106	71,833
Less -- Billings to date.....	(41,721)	(76,027)
	-----	-----
	\$(1,615)	\$(4,194)
	=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 131	\$ 329
Less -- Billings in excess of costs and estimated earnings on uncompleted contracts.....	(1,746)	(4,523)
	-----	-----
	\$(1,615)	\$(4,194)
	=====	=====

5. LONG-TERM DEBT:

Long-term debt consists primarily of capital leases for the purchase of vehicles and construction equipment as discussed in Note 6.

The Company has a \$2,000,000 line-of-credit agreement with a bank to be drawn upon as needed, with variable interest at the bank's prime rate, as defined, secured by accounts receivable, furniture, fixtures and equipment, an assignment of a \$500,000 life insurance policy on the president and the president's personal guaranty. In June 1997, the line-of-credit agreement was extended to June of 1999. At December 31, 1995 and 1996, there were no outstanding draws against this line of credit.

The line-of-credit agreement with the bank contains various covenants pertaining to working capital, certain financial ratios and net worth. At December 31, 1996, the Company was in compliance with all such covenants.

The Company has a term note payable with a bank, secured by a Company vehicle. The principal is payable monthly in the amount of \$1,000 plus interest at 9.75 percent. At December 31, 1996, a balance of \$5,000 was due and payable within one year.

The Company has an obligation to a related party for the purchase of the rights to the name "Regional Electric Systems" requiring monthly payments of principal and interest, at 8.25 percent, of \$6,000 through May 1999. At December 31, 1996, a balance of \$60,000 was due and payable within one year.

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The maturities of long-term debt as of December 31, 1996, are as follows (in thousands):

Year ending December 31 --	
1997.....	\$294
1998.....	238
1999.....	93
2000.....	2

	\$627
	====

6. LEASES:

Obligations Under Capital Leases

The Company leases certain vehicles and construction equipment under leases classified as capital leases. The construction equipment lease is with an officer of the Company. The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum lease payments as of December 31, 1996 (in thousands):

Year ending December 31 --	
1997.....	\$260
1998.....	189
1999.....	68
2000.....	2

Total minimum lease payments.....	519
Less -- Amounts representing interest.....	50

Present value of minimum lease payments.....	\$469
	====

Operating Leases

The Company leases a building which is owned by the principal stockholder of the Company. The lease is classified as an operating lease and expires on October 31, 1997. The rent paid under this related-party lease was approximately \$--, \$26,000 and \$156,000 for the years ended December 31, 1994, 1995 and 1996, respectively. The Company also leases a building which is owned by an officer of the Company. This lease commenced during 1996. The lease is classified as an operating lease and expires on May 31, 1999. The Company has an option to renew the lease for one additional two-year term at a reduced lease rate. The rent paid under this related-party lease was approximately \$35,000 for the year ended December 31, 1996. The Company also rents certain office equipment and warehouse space under several operating lease agreements which vary in length and terms. The rent paid under these lease agreements was approximately \$3,000, \$8,000 and \$45,000 for the years ended December 31, 1994, 1995 and 1996, respectively.

Future minimum lease payments under these noncancelable operating leases are as follows (in thousands):

Year Ended December 31 --	
1997.....	\$231
1998.....	83
1999.....	26
Thereafter.....	--

	\$340
	====

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

7. RELATED-PARTY TRANSACTIONS:

The Company has entered into operating and capital lease transactions with related parties as discussed in Note 6.

CIMA Services, Inc. (CIMA) and RES are related parties due to the ownership by the Company's president of 49% and 1%, respectively, of these companies' capital stock.

The related-party transactions and balances are as follows (in thousands):

	DECEMBER 31,	
	1995	1996
Accounts receivable from CIMA.....	\$ 2	\$ 208
Interest receivable from CIMA and officer.....	1	--
Accounts payable to CIMA.....	23	633
Contract revenues from CIMA.....	1,116	1,257
Material purchases from CIMA.....	812	1,080
Interest income received from CIMA and officers.....	38	14
Minority interest in net income of RES.....	--	3
Liability attributable to minority interest.....	--	3
Capital lease obligation to an officer of RES.....	--	116
Payments under capital lease obligation with an officer of RES.....	--	31
Payments under operating leases with officers of the Company.....	26	232

Additionally, the Company has guaranteed an officer note at a bank with an outstanding balance of approximately \$298,000 at December 31, 1996. The Company's property and equipment has been cross-pledged as collateral.

8. EMPLOYEE BENEFIT PLAN:

The Company has a defined contribution profit-sharing plan that covers all employees meeting certain age and service requirements. Company contributions to the plan are at the discretion of the board of directors. Contributions to the plan charged to operations in 1994, 1995 and 1996 were \$186,000, \$450,000 and \$789,000, respectively.

9. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, a line of credit, notes payable and long-term debt. The Company believes that the carrying values of these instruments on the accompanying balance sheets approximates their fair values.

10. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

Insurance

The Company carries a broad range of insurance coverage, including workers' compensation, business auto liability, commercial general liability, property and an umbrella policy. The Company has not incurred significant uninsured losses on any of these items.

MILLS ELECTRICAL CONTRACTORS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

11. MAJOR CUSTOMERS AND RISK CONCENTRATION:

The Company had sales greater than 10 percent of total sales to three major customers (comprising approximately 20%, 12% and 11% of total sales), two major customers (comprising approximately 15% and 13% of total sales) and two major customers (comprising approximately 20% and 18% of total sales) during the years ended December 31, 1994, 1995 and 1996, respectively.

In addition, the Company grants credit, generally without collateral, to its customers, which are usually general contractors located primarily in the Dallas-Fort Worth, Texas area. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within the Dallas-Fort Worth, Texas, area. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

Cash and Cash Equivalents

The Company routinely maintains cash balances in financial institutions in excess of federally insured limits.

12. BACKCHARGE CLAIMS:

It is the Company's policy to recognize income from backcharge claims only when a definitive agreement has been reached and collection is reasonably assured. In December 1996, the Company reached a settlement on one of its backcharge claims related to prior periods for approximately \$856,000 which is reflected in the accompanying consolidated statement of operations for the year ended December 31, 1996, as an increase in revenues and as a component of other receivables in the accompanying consolidated balance sheet at December 31, 1996.

13. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT (UNAUDITED):

In October 1997, the Company and its stockholders entered into a definitive agreement with Integrated Electrical Services, Inc. (IES), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of IES common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by IES. In addition, the key executives of the Company entered into employment agreements with the Company and IES which have an initial term of five years, and generally restrict the disclosure of confidential information as well as restrict competition with the Company and IES for a period of two years following termination of employment.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To BW Consolidated, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of BW Consolidated, Inc., a Texas corporation, and Subsidiaries as of December 31, 1995 and 1996, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BW Consolidated, Inc. and Subsidiaries as of December 31, 1995 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
October 15, 1997

BW CONSOLIDATED, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

ASSETS

	DECEMBER 31,		JUNE 30,
	1995	1996	1997
			(UNAUDITED)
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 1,180	\$ 507	\$ 782
Accounts receivable --			
Trade, net of allowance of \$82, \$119 and \$120,			
respectively.....	3,178	4,718	4,761
Retainage.....	471	768	695
Other receivables.....	62	53	65
Notes receivable from stockholders.....	42	--	394
Inventories.....	461	557	728
Costs and estimated earnings in excess of billings.....	186	182	122
Prepaid expenses and other current assets.....	5	10	36
	-----	-----	-----
Total current assets.....	5,585	6,795	7,583
PROPERTY AND EQUIPMENT, net.....	3,925	4,609	5,266
NOTE RECEIVABLE FROM STOCKHOLDERS, net of current portion...	470	--	--
OTHER ASSETS.....	21	27	45
	-----	-----	-----
Total assets.....	\$10,001	\$11,431	\$12,894
	=====	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:			
Current maturities of long-term debt.....	\$ 214	\$ 94	\$ 108
Advances outstanding under lines of credit.....	--	--	340
Accounts payable and accrued expenses.....	2,318	2,131	2,436
Income taxes payable.....	130	166	--
Billings in excess of costs and estimated earnings.....	606	749	963
	-----	-----	-----
Total current liabilities.....	3,268	3,140	3,847
LONG-TERM DEBT, net of current maturities.....	951	861	973
DEFERRED TAXES.....	180	--	--
COMMITMENTS AND CONTINGENCIES			
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY.....	--	209	426
STOCKHOLDERS' EQUITY:			
Common stock, \$1 par value, 2,000,000, 500,000 and 500,000			
shares authorized, respectively; 31,598, 20,000 and			
20,000 shares issued and outstanding, respectively....	32	20	20
Additional paid-in capital.....	566	205	205
Retained earnings.....	5,965	6,996	7,423
Treasury stock, 5,088 shares, at cost.....	(961)	--	--
	-----	-----	-----
Total stockholders' equity.....	5,602	7,221	7,648
	-----	-----	-----
Total liabilities and stockholders' equity.....	\$10,001	\$11,431	\$12,894
	=====	=====	=====

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

BW CONSOLIDATED, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
REVENUES.....	\$23,168	\$27,730	\$33,023	\$16,680	\$16,311
COST OF SERVICES (including depreciation)....	17,967	20,964	25,017	12,602	12,717
Gross profit.....	5,201	6,766	8,006	4,078	3,594
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	3,091	3,637	3,686	1,816	1,859
Income from operations.....	2,110	3,129	4,320	2,262	1,735
OTHER INCOME (EXPENSE):					
Interest expense.....	(135)	(120)	(97)	(49)	(56)
Other.....	97	263	174	107	96
Other income (expense), net.....	(38)	143	77	58	40
NET INCOME BEFORE INCOME TAX AND MINORITY INTEREST.....	2,072	3,272	4,397	2,320	1,775
INCOME TAX EXPENSE (BENEFIT).....	772	1,238	(28)	(103)	33
NET INCOME BEFORE MINORITY INTEREST.....	1,300	2,034	4,425	2,423	1,742
MINORITY INTEREST EXPENSE.....	--	--	250	151	197
NET INCOME.....	\$ 1,300	\$ 2,034	\$ 4,175	\$ 2,272	\$ 1,545

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

BW CONSOLIDATED, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	\$1,300	\$ 2,034	\$ 4,175	\$ 2,272	\$ 1,545
Adjustments to reconcile net income to net cash provided by operating activities --					
Depreciation and amortization.....	292	329	426	191	265
Loss (gain) on sale of property and equipment.....	9	(54)	(17)	(18)	(9)
Deferred tax benefit.....	--	--	(180)	(180)	--
Minority interest expense.....	--	--	250	151	197
Changes in operating assets and liabilities --					
(Increase) decrease in --					
Accounts receivable.....	(459)	(244)	(1,828)	(1,255)	18
Inventories.....	(7)	131	(96)	(294)	(171)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	80	(13)	4	(20)	60
Prepaid expenses and other current assets.....	(2)	1	(11)	(6)	(26)
Increase (decrease) in --					
Accounts payable and accrued expenses.....	(153)	141	(187)	550	306
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(51)	282	143	33	214
Unearned revenue and other current liabilities.....	34	41	36	(51)	(166)
Net cash provided by operating activities.....	1,043	2,648	2,715	1,373	2,233
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property and equipment.....	4	141	66	60	18
Stockholder receivable.....	--	(512)	512	512	(394)
Other assets.....	--	--	--	--	(20)
Additions of property and equipment.....	(485)	(1,001)	(1,160)	(861)	(788)
Net cash used in investing activities.....	(481)	(1,372)	(582)	(289)	(1,184)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings of short-term debt.....	643	515	1,832	517	570
Borrowings of long-term debt.....	--	--	10	--	39
Repayments of short-term debt.....	(643)	(515)	(1,832)	(302)	(230)
Repayments of long-term debt.....	(377)	(310)	(219)	(135)	(55)
Stockholder distributions.....	--	(32)	(2,556)	(1,503)	(1,118)
Minority interest contributions.....	--	--	85	85	85
Minority interest distributions.....	--	--	(126)	(41)	(65)
Purchase of treasury stock.....	--	(961)	--	--	--
Net cash used in financing activities.....	(377)	(1,303)	(2,806)	(1,379)	(774)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	185	(27)	(673)	(295)	275
CASH AND CASH EQUIVALENTS, beginning of period.....	1,022	1,207	1,180	1,180	507
CASH AND CASH EQUIVALENTS, end of period.....	\$1,207	\$ 1,180	\$ 507	\$ 885	\$ 782
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid for --					
Interest.....	\$ 137	\$ 119	\$ 97	\$ 49	\$ 56
Income taxes.....	744	1,197	132	--	198

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

BW CONSOLIDATED, INC. AND SUBSIDIARIES

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

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCE, December 31, 1993.....	31,151	\$ 31	\$ 512	\$ 2,663	\$ --	\$ 3,206
Sale of common stock.....	261	1	30	--	--	31
Net income.....	--	--	--	1,300	--	1,300
BALANCE, December 31, 1994.....	31,412	32	542	3,963	--	4,537
Sale of common stock.....	186	--	24	--	--	24
Net income.....	--	--	--	2,034	--	2,034
Dividends paid.....	--	--	--	(32)	--	(32)
Purchase of treasury stock.....	--	--	--	--	(961)	(961)
BALANCE, December 31, 1995.....	31,598	32	566	5,965	(961)	5,602
Shares retired upon merger.....	(26,510)	(27)	154	(127)	--	--
Treasury stock canceled.....	(5,088)	(5)	(515)	(441)	961	--
Shares issued.....	1,000	10	--	(10)	--	--
Stock split 20 to 1 and recapitalization (Note 1)....	19,000	10	--	(10)	--	--
Distributions to stockholders...	--	--	--	(2,556)	--	(2,556)
Net income.....	--	--	--	4,175	--	4,175
BALANCE, December 31, 1996.....	20,000	20	205	6,996	--	7,221
Distributions to stockholders (unaudited).....	--	--	--	(1,118)	--	(1,118)
Net income (unaudited).....	--	--	--	1,545	--	1,545
BALANCE, June 30, 1997 (unaudited).....	20,000	\$ 20	\$ 205	\$ 7,423	\$ --	\$ 7,648

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

BW CONSOLIDATED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS, ORGANIZATION AND BASIS OF PRESENTATION:

BW Consolidated, Inc. (the Company), a Nevada S Corporation, and Subsidiaries, two of which are Texas limited partnerships, focuses on providing electrical system installation and repair services primarily for residential and mid-sized to large commercial facilities. The Company performs the majority of its contract work under fixed price contracts with contract terms generally ranging from three to 24 months. The Company performs the majority of its work in Texas.

In January 1996, the original parent company, Bexar Enterprises, Inc., a Nevada C Corporation, was merged with BW Investments, Inc., Bexar Electric Company, Inc., and Calhoun Electric Company, Inc., all wholly owned subsidiaries. The survivor of the merger was Calhoun Electric Company, Inc., a Texas S Corporation, and its 90 percent owned subsidiary, Bexar Electric Company, Ltd. (BEC), a Texas limited partnership. The 10 percent minority interest in the partnership was purchased by employees of Bexar Electric Company, Ltd. An additional 10 percent minority interest in Bexar Electric Company, Ltd. (a Texas limited partnership), was purchased by employees of the Company in January 1997.

In May 1997, Calhoun Electric Company, Inc., a Texas S Corporation, transferred its assets and liabilities to Calhoun Electric Company, Ltd. (CEC), a Texas limited partnership. Subsequent to this transfer, Calhoun Electric Company, Inc., a Texas S Corporation, reorganized as a Nevada S Corporation and changed its name to BW Consolidated, Inc.

The accompanying financial statements present BW Consolidated, Inc. (and its predecessors), together with its majority-owned subsidiaries on a consolidated basis. All significant intercompany activity has been eliminated in consolidation. Additionally, minority interests in subsidiaries of BW Consolidated, Inc. have been reflected as "Minority Interest" in the accompanying consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Interim Financial Information

The interim financial statements as of June 30, 1997, and for the six months ended June 30, 1996 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

Supplemental Cash Flow Information (in thousands)

The Company had the following noncash investing and financing activities for the years ended December 31, 1994, 1995 and 1996:

	1994	1995	1996
	----	----	----
Property and equipment purchased with direct financing.....	\$--	\$25	\$--
Like-kind exchange of equipment.....	\$--	\$15	\$ 6
Employee Stock Option Plan contribution through stock distribution.....	\$30	\$25	\$--

BW CONSOLIDATED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Inventories

Inventories consist of parts and supplies held for use in the ordinary course of business and are stated at the lower of cost or market using the average cost method.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the consolidated statements of operations.

Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. 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. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

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

Warranty Costs

The Company warrants labor for the first year after installation of new electrical systems and servicing of existing electrical systems. A reserve for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

Provision for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer probable.

Income Taxes

The Company has elected S Corporation status effective January 1, 1996, as defined by the Internal Revenue Code, whereby the Company itself is not subject to taxation for federal purposes. Under

BW CONSOLIDATED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

S Corporation status, the stockholders report their share of the Company's taxable earnings or losses in their personal tax returns. Consequently, the accompanying financial statements of the Company do not include a provision for current or deferred income taxes (see Note 4). The Company intends to terminate its S Corporation status concurrently with the effective date of the Offering (see Note 1).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Reference is made to the "Revenue Recognition" section of this footnote and Note 10 for discussion of significant estimates reflected in the Company's financial statements.

New Accounting Pronouncements

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. The effect of any impairment would be to expense the difference between the fair value of such property and its carrying value. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

3. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31,	
		1995	1996
Transportation equipment.....	10	\$2,783	\$3,446
Machinery and equipment.....	5-10	709	673
Land and buildings.....	40	2,592	2,592
Furniture, fixtures and office equipment.....	3-15	680	926
		6,764	7,637
Less -- Accumulated depreciation and amortization.....		(2,839)	(3,028)
Property and equipment, net.....		\$3,925	\$4,609

4. DETAIL OF CERTAIN CONSOLIDATED BALANCE SHEET ACCOUNTS:

Activity in the Company's allowance for doubtful accounts receivable consists of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Balance at beginning of period.....	\$ 80	\$ 82
Additions to costs and expenses.....	27	127
Deductions for uncollectible receivables written off and recoveries.....	(25)	(90)
Balance at end of period.....	\$ 82	\$119

BW CONSOLIDATED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Accounts payable and accrued expenses consist of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	\$ 1,134	\$ 1,191
Wages.....	700	407
Insurance.....	238	146
Contract costs.....	141	207
Warranty reserve.....	83	99
Other.....	22	81
	-----	-----
Total accounts payable and accrued expenses.....	\$ 2,318	\$ 2,131
	=====	=====

Electrical system installation contracts in progress are as follows (in thousands):

	DECEMBER 31,	
	1995	1996
Amended contract amount.....	\$15,945	\$18,918
Revenue recognized to date.....	7,953	11,105
	-----	-----
Unearned contract amount, backlog.....	\$ 7,992	\$ 7,813
	=====	=====
Costs incurred on uncompleted contracts.....	\$ 5,647	\$ 8,298
Estimated earnings.....	2,306	2,807
	-----	-----
Total contract revenue earned to date.....	7,953	11,105
Less -- Billings to date.....	8,403	11,711
	-----	-----
Net overbilled open contracts.....	(450)	(606)
Unbilled completed contracts.....	30	39
	-----	-----
	\$ (420)	\$ (567)
	=====	=====
Costs and estimated earnings in excess of billings.....	\$ 186	\$ 182
Billings in excess of costs and estimated earnings.....	(606)	(749)
	-----	-----
	\$ (420)	\$ (567)
	=====	=====

5. LONG-TERM DEBT:

Long-term debt consists of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Note payable to a bank, interest at prime plus .75 percent (prime rate at 8.25 percent at December 31, 1996), principal and interest due monthly of \$10 maturing in March 2004, secured by certain real estate.....	\$ 678	\$632
Note payable to a corporation, interest at 7 percent, principal and interest due monthly of \$2 maturing in July 2004, secured by certain real estate.....	140	128
Note payable to a bank, interest at prime, principal and interest due monthly of \$3, maturing in November 2003, secured by certain real estate.....	205	190
Notes payable to manufacturers, interest at 7.9 percent, principal and interest due monthly of \$3, maturing in December 1996 and May 1997, secured by certain equipment.....	43	5
Notes payable to a bank, interest at 8.25 percent, principal and interest due monthly of \$6, maturing in July and October 1996, secured by certain vehicles and equipment...	50	--
Various notes payable to a bank, interest ranging from 7.9 percent to 8.25 percent, principal and interest due monthly of \$7, maturing in July through November 1996, secured by certain vehicles, machinery and office equipment.....	49	--
	-----	-----
Total debt.....	1,165	955

Less -- current maturities.....	214	94
	-----	-----
Long-term debt less current maturities.....	\$ 951	\$861
	=====	=====

BW CONSOLIDATED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The maturities of long-term debt at December 31, 1996, are as follows (in thousands):

1997.....	\$ 94
1998.....	98
1999.....	106
2000.....	116
2001.....	127
Thereafter.....	414

	\$955
	=====

The Company currently has two lines of credit established. The first line of credit for \$750,000, secured by BEC accounts receivable and inventory, requires monthly payments of interest at 1 percent over the prime rate. At December 31, 1995 and 1996, respectively, there were no advances outstanding against the line and the full \$750,000 was available. The note maturity date is May 1997. The second line of credit for \$300,000, secured by CEC accounts receivable, inventory, equipment and trucks, requires monthly payments of interest at percent over the prime rate. At December 31, 1995 and 1996, respectively, there were no advances outstanding against the line and the full \$300,000 was available. The note maturity date is March 1997.

The Company has an irrevocable letter of credit from a bank in the amount of \$199,000 in favor of the Company's workers' compensation carrier. The expiration date is July 1, 1997. Security for this letter of credit consists of the assignment of \$125,000 in certificates of deposit, a second lien on real estate and "rolling stock" of the Company, and the personal guarantee of the major stockholder.

6. LEASES:

The Company leases undeveloped property from the majority stockholder for storage of equipment and trailers. The lease was entered into on July 1, 1994, and expired on June 30, 1997, and is currently on a month-to-month basis. The consideration for this lease was \$8,000, \$17,000 and \$19,000 in 1994, 1995 and 1996, respectively. The future minimum lease payments under these noncancelable operating leases for the year ended December 31, 1997, are \$10,000.

7. INCOME TAXES (IN THOUSANDS):

Federal and State income taxes are as follows:

	YEAR ENDED DECEMBER 31,	
	1994	1995
	----	-----
Federal --		
Current.....	\$663	\$1,118
Deferred.....	26	(45)
State --		
Current.....	83	157
Deferred.....	--	8
	----	-----
	\$772	\$1,238
	=====	=====

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate rate of 34% to income before provision for income taxes as follows:

	YEAR ENDED DECEMBER 31,	
	1994	1995
	----	-----
Provision at the statutory rate.....	\$704	\$1,112
State income tax, net of benefit for federal deduction.....	54	107
Other.....	14	19
	----	-----
	\$772	\$1,238
	=====	=====

BW CONSOLIDATED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effects of these temporary differences, representing deferred tax assets and liabilities, result principally from the following:

	DECEMBER 31, 1995 -----
Deferred income tax assets --	
Allowance for Bad Debt.....	\$ 4
Accrued Liabilities and Expenses.....	122

Total deferred income tax asset.....	126
Deferred income tax liabilities --	
Property and equipment.....	(306)
Total deferred income tax liability.....	(306)

Net deferred income tax liability.....	\$ (180)
	=====

The net deferred tax assets and liabilities are comprised of the following:

	DECEMBER 31, 1995 -----
Deferred tax assets --	
Current.....	\$ 126
Long-term.....	--

Total.....	\$ 126
	=====
Deferred tax liabilities --	
Current.....	--
Long-term.....	(306)

Total.....	\$(306)
	=====

Effective January 1, 1996, the Company elected S Corporation status for Calhoun Electric and partnership status for Bexar Electric. The Company will no longer be directly responsible for any deferred tax liability which might exist. The removal of the deferred tax liability which existed as of December 31, 1995, is recognized in the 1996 consolidated statement of operations (see Note 2).

8. RELATED-PARTY TRANSACTIONS:

Notes receivable from a stockholder consists of the following (in thousands):

	DECEMBER 31, -----	
	1995	1996
	----	----
Note receivable, secured by a second lien on real estate, interest at 7.5 percent, payable in 60 quarterly installments of \$3.....	\$107	\$ --
Note receivable, unsecured, interest at 7.45 percent, payments due annually in January of 15 percent of principal plus accrued interest, balance due in January 2000.....	405	--
	-----	-----
Total notes receivable from a stockholder.....	512	--
Current portion.....	42	--
	-----	-----
Noncurrent portion.....	\$470	\$ --
	=====	=====

The Company recognized interest income from a stockholder of \$--, \$30,000 and \$13,000 in 1994, 1995 and 1996, respectively.

BW CONSOLIDATED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

9. EQUITY:

In 1991, the Company adopted an employee stock ownership plan (ESOP) for the benefit of the Company's employees. The plan covered substantially all employees of the Company. The Company's contributions to the plan are at the discretion of the board of directors, but may not exceed the maximum allowable deduction permitted under the Internal Revenue Code at the time of the contribution. Under this ESOP plan, employees cannot make contributions to the plan. The Company made a contribution of \$35,000 and \$25,000 in 1994 and 1995, respectively. Effective December 8, 1995, the Company has requested and received approval from the Internal Revenue Service to terminate the ESOP plan. In accordance with the termination of the ESOP, the Company repurchased as treasury stock 5,088 shares for \$961,000.

In 1996, the Company sold a minority interest in the limited partnership of Bexar Electric to certain employees of the Company. The minority interest is considered a limited partner; the minority interest held 10 percent and 20 percent (unaudited) at December 31, 1996, and June 30, 1997, respectively.

10. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable from stockholders, accounts payable, a line of credit, notes payable and long-term debt. The Company believes that the carrying value of these instruments on the accompanying balance sheets approximates their fair value.

11. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

Insurance

The Company carries a broad range of insurance coverage, including business auto liability, general liability and an umbrella policy. The Company has not incurred significant uninsured losses on any of these items.

12. MAJOR CUSTOMERS AND RISK CONCENTRATION:

The Company had sales of approximately 11 percent of total sales to one major customer during the year ended December 31, 1996.

The Company had accounts receivable balances of approximately 15 percent and 14 percent of total accounts receivable from two major customers as of December 31, 1996.

The Company had cash and cash equivalents in financial institutions which exceeded the federally insured limits by \$911,000, \$269,000 and \$437,000 (unaudited) at December 31, 1995 and 1996, and June 30, 1997, respectively.

In addition, the Company grants credit, generally without collateral, to its customers, which are primarily general contractors, located in Central and South Texas. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within the state of Texas. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

BW CONSOLIDATED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

13. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT (UNAUDITED):

In October 1997, the Company and its stockholders entered into a definitive agreement with Integrated Electrical Services, Inc. (IES), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of IES common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by IES. In addition, the key executives of the Company entered into employment agreements with the Company and IES which have an initial term of five years, and generally restrict the disclosure of confidential information as well as restrict competition with the Company and IES for a period of two years following termination of employment. Additionally, in October 1997, the majority shareholder of the Company transferred 15 percent of its interest in CEC to a former shareholder of Calhoun Electric Company, Inc. and current employer of CEC.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Muth Electric, Inc.:

We have audited the accompanying balance sheets of Muth Electric, Inc., a South Dakota corporation, as of December 31, 1995 and 1996, and the related statements of operations, cash flows and stockholder's equity for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Muth Electric, Inc., as of December 31, 1995 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
October 15, 1997

MUTH ELECTRIC, INC.
 STATEMENTS OF OPERATIONS
 (IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
REVENUES.....	\$13,466	\$16,012	\$16,830	\$8,065	\$8,308
COST OF SERVICES (including depreciation).....	9,805	12,189	12,834	6,134	6,660
Gross profit.....	3,661	3,823	3,996	1,931	1,648
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES...	2,678	2,923	2,957	1,455	1,567
Income from operations.....	983	900	1,039	476	81
OTHER INCOME (EXPENSE):					
Interest income (expense).....	6	11	(24)	(13)	(14)
Other.....	(79)	(95)	27	18	20
Other income (expense), net.....	(73)	(84)	3	5	6
NET INCOME.....	\$ 910	\$ 816	\$ 1,042	\$ 481	\$ 87

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

MUTH ELECTRIC, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	\$ 910	\$ 816	\$1,042	\$ 481	\$ 87
Adjustments to reconcile net income to net cash provided by (used in) operating activities --					
Depreciation and amortization.....	142	185	224	107	117
Loss (gain) on sale of property and equipment.....	(6)	16	(28)	(16)	(13)
Changes in operating assets and liabilities --					
(Increase) decrease in --					
Accounts receivable.....	(260)	70	(674)	(592)	(544)
Inventories.....	31	(38)	(70)	(63)	(99)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	579	(291)	70	96	180
Prepaid expenses and other current assets.....	(41)	5	10	10	(19)
Increase (decrease) in --					
Accounts payable and accrued expenses.....	(478)	525	59	(82)	375
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(252)	(95)	(119)	41	304
Net cash provided by (used in) operating activities.....	625	1,193	514	(18)	388
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property and equipment.....	11	5	53	21	21
Additions of property and equipment.....	(201)	(560)	(443)	(257)	(65)
Net cash used in investing activities.....	(190)	(555)	(390)	(236)	(44)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings of line of credit.....	--	--	--	460	--
Payments of long-term loan receivable.....	390	--	530	--	(167)
Distributions to stockholders.....	(715)	(722)	(625)	(250)	(250)
Net cash provided by (used in) financing activities.....	(325)	(722)	(95)	210	(417)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	110	(84)	29	(44)	(73)
CASH AND CASH EQUIVALENTS, beginning of period.....	27	137	53	53	82
CASH AND CASH EQUIVALENTS, end of period.....	\$ 137	\$ 53	\$ 82	\$ 9	\$ 9
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid for --					
Interest.....	\$ 9	\$ 4	\$ 33	\$ 15	\$ 21

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

MUTH ELECTRIC, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		RETAINED EARNINGS	TOTAL STOCKHOLDER'S EQUITY
	SHARES	AMOUNT		
BALANCE, December 31, 1993.....	737	\$74	\$2,290	\$2,364
Distributions to stockholders.....	--	--	(715)	(715)
Net income.....	--	--	910	910
BALANCE, December 31, 1994.....	737	74	2,485	2,559
Distributions to stockholders.....	--	--	(722)	(722)
Net income.....	--	--	816	816
BALANCE, December 31, 1995.....	737	74	2,579	2,653
Distributions to stockholders.....	--	--	(625)	(625)
Net income.....	--	--	1,042	1,042
BALANCE, December 31, 1996.....	737	74	2,996	3,070
Distributions to stockholders (unaudited).....	--	--	(250)	(250)
Net income (unaudited).....	--	--	87	87
BALANCE, June 30, 1997 (unaudited).....	737	\$74	\$2,833	\$2,907
	===	===	=====	=====

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

MUTH ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Muth Electric, Inc. (the Company), a South Dakota corporation, focuses on providing electrical system installation and repair services primarily for residential and commercial facilities. The Company performs the majority of its contract work under fixed-price contracts with contract terms generally ranging from one to 12 months. The Company performs the majority of its work in South Dakota and surrounding states.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Interim Financial Information

The interim financial statements as of June 30, 1997, and for the six months ended June 30, 1996 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories consist of parts and supplies held for use in the ordinary course of business and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the estimated useful life of the asset. Depreciation expense was approximately \$185,000 and \$224,000 for the years ended December 31, 1995 and 1996, respectively.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor and depreciation costs. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

MUTH ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

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

Warranty Costs

The Company warrants labor and materials for the first year after installation of new electrical systems. A reserve for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

Accounts Receivable and Provision for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer probable, as well as provides a general reserve for potential unknown adjustments.

Income Taxes

The Company has elected S Corporation status as defined by the Internal Revenue Code, whereby the Company itself is not subject to taxation for federal purposes. Under S Corporation status, the stockholders report their share of the Company's taxable earnings or losses in their personal tax returns. Consequently, the accompanying financial statements of the Company do not include a provision for current or deferred income taxes. The Company intends to terminate its S Corporation status concurrently with the effective date of the Offering.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Reference is made to the "Revenue Recognition" section of this footnote and Note 9 for discussion of significant estimates reflected in the Company's financial statements.

New Accounting Pronouncement

Effective November 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. The effect of any impairment would be to expense the difference between the fair value of such property and its carrying value. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

MUTH ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31,	
		1995	1996
Transportation equipment.....	5	\$ 806	\$ 868
Machinery and equipment.....	7	466	635
Leasehold improvements.....	40	409	479
Furniture and fixtures.....	5	403	425
		2,084	2,407
Less -- Accumulated depreciation and amortization.....		(1,138)	(1,267)
Property and equipment, net.....		\$ 946	\$ 1,140

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Activity in the Company's allowance for doubtful accounts receivable consists of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Balance at beginning of period.....	\$60	\$55
Additions (deductions) to costs and expenses.....	(5)	8
Balance at end of period.....	\$55	\$63

Accounts payable and accrued expenses consist of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	\$ 819	\$ 757
Accrued compensation and benefits.....	290	353
Other accrued expenses.....	512	570
	\$1,621	\$1,680

MUTH ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Electrical system installation contracts in progress are as follows (in thousands):

	DECEMBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	\$ 9,215	\$ 7,159
Estimated earnings, net of losses.....	1,914	1,277
	11,129	8,436
Less -- Billings to date.....	(10,889)	(8,180)
	\$ 240	\$ 256
	=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 545	\$ 436
Less: Billings in excess of costs and estimated earnings on uncompleted contracts.....	(305)	(180)
	\$ 240	\$ 256
	=====	=====

5. LINE OF CREDIT:

The Company has three lines of credit with a bank totaling \$1,140,000 of available credit. The line of credit expires January 1998 and bears interest at 9 percent. The line of credit is unsecured.

6. EMPLOYEE BENEFIT PLAN:

The Company has a defined 401(k) contribution profit-sharing plan. The Plan provides for the Company to match one-half of the first 5 percent contributed by each employee. Total contributions by the Company under the plan were approximately \$83,000 and \$93,000 for the years ending December 31, 1995 and 1996, respectively. The Company may also make discretionary contributions. The Company declared discretionary contributions of \$70,000 and \$65,000 for the years ended December 31, 1995 and 1996, respectively, and had accrued approximately \$74,000 at December 31, 1996, relating to all contributions to be funded in the subsequent fiscal year.

7. RELATED-PARTY TRANSACTIONS:

The Company periodically will obtain loans from the stockholder to meet current cash needs. The Company will also loan out excess funds to the stockholder. Loans neither to nor from the stockholder are charged interest. A total of \$93,000 was payable to a stockholder at June 30, 1997.

The Company has an outstanding trade receivable in the amount of \$74,000 to a company owned by a member of the stockholder's family.

The Company also provides real estate management services to a company owned by the stockholder.

The Company leases facilities from the Company's stockholder. The leases expire annually. The rent paid under these related-party leases was approximately \$95,000 and \$118,000 for the years ended December 31, 1995 and 1996, respectively.

8. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, lines of credit, notes payable and long-term debt. The Company believes that the carrying value of these instruments on the accompanying balance sheets approximates their fair value.

MUTH ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

9. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

Insurance

The Company carries a broad range of insurance coverage, including business auto liability, general liability, workers compensation and an umbrella policy. The Company has not incurred significant uninsured losses on any of these items.

The Company is self-insured for medical claims up to \$20,000 per year per covered individual. Claims in excess of these amounts are covered by a stop-loss policy. The Company has recorded reserves for its portion of self-insured claims based on estimated claims incurred through December 31, 1995 and 1996.

10. MAJOR CUSTOMERS AND RISK CONCENTRATION:

The Company did not have sales greater than 10 percent of total sales to any one customer during the years ended December 31, 1994, 1995 and 1996.

In addition, the Company grants credit, generally without collateral, to its customers located primarily in the Midwest region. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within the Midwest. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

11. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT (UNAUDITED):

In October 1997, the Company and its stockholders entered into a definitive agreement with Integrated Electrical Services, Inc. (IES), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of IES common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by IES. In addition, the key executives of the Company entered into employment agreements with the Company and IES which have an initial term of five years, and generally restrict the disclosure of confidential information as well as restrict competition with the Company and IES for a period of two years following termination of employment.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Pollock Electric Inc.:

We have audited the accompanying balance sheets of Pollock Electric Inc., a Texas Corporation, as of October 31, 1995 and 1996, and the related statements of operations, cash flows and stockholder's equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pollock Electric Inc., as of October 31, 1995 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
October 15, 1997

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POLLOCK ELECTRIC INC.

BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

ASSETS

	OCTOBER 31,		JUNE 30,
	1995	1996	1997
			(UNAUDITED)
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 302	\$ 222	\$ 15
Accounts receivable --			
Trade, net of allowance of \$96, \$178 and \$188, respectively.....	2,204	4,030	3,703
Retainage.....	99	566	439
Other receivables.....	40	4	10
Inventories.....	--	--	18
Costs and estimated earnings in excess of billings on uncompleted contracts.....	399	202	491
Deferred tax asset.....	161	263	303
Prepaid expenses and other current assets.....	49	115	236
	-----	-----	-----
Total current assets.....	3,254	5,402	5,215
PROPERTY AND EQUIPMENT, net.....	280	341	379
	-----	-----	-----
Total assets.....	<u>\$3,534</u>	<u>\$5,743</u>	<u>\$5,594</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:			
Notes payable and capital lease obligations.....	\$ 28	\$ 67	\$ 219
Advances outstanding under line of credit.....	625	1,350	1,385
Accounts payable and accrued expenses.....	1,378	3,013	2,664
Income taxes payable.....	354	181	151
Billings in excess of costs and estimated earnings on uncompleted contracts.....	234	317	442
Unearned revenue and other current liabilities.....	14	13	25
	-----	-----	-----
Total current liabilities.....	2,633	4,941	4,886
CAPITAL LEASE OBLIGATIONS, net of current portion.....	75	75	73
DEFERRED TAX LIABILITY.....	20	20	21
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDER'S EQUITY:			
Common stock, \$1 par value, 1,000,000 shares authorized, 1,000 shares issued and outstanding.....	1	1	1
Additional paid-in capital.....	9	9	9
Retained earnings.....	796	697	604
	-----	-----	-----
Total stockholder's equity.....	806	707	614
	-----	-----	-----
Total liabilities and stockholder's equity.....	<u>\$3,534</u>	<u>\$5,743</u>	<u>\$5,594</u>

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

POLLOCK ELECTRIC INC.
 STATEMENTS OF OPERATIONS
 (IN THOUSANDS)

	YEAR ENDED OCTOBER 31,		EIGHT MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
			(UNAUDITED)	
REVENUES.....	\$13,002	\$15,816	\$8,160	\$11,273
COST OF SERVICES (including depreciation).....	10,602	13,534	7,242	9,480
Gross profit.....	2,400	2,282	918	1,793
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	2,149	2,463	1,536	1,817
Income (loss) from operations.....	251	(181)	(618)	(24)
OTHER INCOME (EXPENSE):				
Interest expense.....	(77)	(104)	(61)	(108)
Other.....	--	156	5	--
Other income (expense), net.....	(77)	52	(56)	(108)
INCOME (LOSS) BEFORE INCOME TAXES.....	174	(129)	(674)	(132)
PROVISION (BENEFIT) FOR INCOME TAXES.....	82	(30)	(242)	(39)
NET INCOME (LOSS).....	\$ 92	\$ (99)	\$ (432)	\$ (93)
	=====	=====	=====	=====

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

POLLOCK ELECTRIC INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED OCTOBER 31,		EIGHT MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
	(UNAUDITED)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income.....	\$ 92	\$ (99)	\$(432)	\$ (93)
Adjustments to reconcile net income to net cash used in operating activities --				
Depreciation and amortization.....	64	107	51	77
Deferred income taxes.....	(141)	(103)	(103)	(39)
Changes in operating assets and liabilities --				
(Increase) decrease in --				
Accounts receivable.....	577	(2,257)	(255)	448
Inventories.....	--	--	--	(18)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	(164)	197	130	(289)
Prepaid expenses and other current assets.....	(30)	(41)	(31)	(121)
Increase (decrease) in --				
Accounts payable and accrued expenses.....	(546)	1,635	(154)	(349)
Income taxes payable.....	170	(172)	(344)	(31)
Billings in excess of costs and estimated earnings on uncompleted contracts.....	9	83	221	125
Unearned revenue and other current liabilities...	(31)	(1)	60	13
Net cash used in operating activities.....	--	(651)	(857)	(277)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Additions of property and equipment.....	(77)	(154)	(121)	(102)
Net cash used in investing activities.....	(77)	(154)	(121)	(102)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net borrowings under line of credit.....	241	725	710	172
Net cash provided by financing activities.....	241	725	710	172
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	164	(80)	(268)	(207)
CASH AND CASH EQUIVALENTS, beginning of period.....	138	302	302	222
CASH AND CASH EQUIVALENTS, end of period.....	\$ 302	\$ 222	\$ 34	\$ 15
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for --				
Interest.....	\$ 77	\$ 104	\$ 108	\$ 62
Income taxes.....	21	245	204	30

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

POLLOCK ELECTRIC INC.

STATEMENTS OF STOCKHOLDER'S EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL	RETAINED	TOTAL
	SHARES	AMOUNT	PAID-IN CAPITAL	EARNINGS	STOCKHOLDER'S EQUITY
	-----	-----	-----	-----	-----
BALANCE, October 31, 1994.....	1,000	\$ 1	\$ 9	\$704	\$714
Net income.....	--	--	--	92	92
	-----	-----	-----	-----	-----
BALANCE, October 31, 1995.....	1,000	1	9	796	806
Net income.....	--	--	--	(99)	(99)
	-----	-----	-----	-----	-----
BALANCE, October 31, 1996.....	1,000	1	9	697	707
Net income (unaudited).....	--	--	--	(93)	(93)
	-----	-----	-----	-----	-----
BALANCE, June 30, 1997 (unaudited).....	1,000	\$ 1	\$ 9	\$604	\$614
	=====	====	====	=====	=====

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

POLLOCK ELECTRIC INC.

NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Pollock Electric Inc., a Texas corporation (the Company), provides electrical system installation, data and fiber optic cabling installation and repair services primarily for mid-sized to large commercial facilities. The Company performs the majority of its contract work under fixed price contracts, with contract terms generally ranging from one to 12 months. The Company performs the majority of its work in the commercial and industrial markets in Harris County, Texas, and surrounding areas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Interim Financial Information

The interim financial statements as of June 30, 1997, and for the eight months ended June 30, 1996 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation expense was \$64,144 and \$107,242 for the years ended October 31, 1995 and 1996, respectively.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. 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. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reasonably estimated.

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's

POLLOCK ELECTRIC INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

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

Warranty Costs

For certain contracts, the Company warrants labor and materials for the first year after installation of new electrical systems. The Company generally warrants labor for one year after servicing existing electrical systems. A reserve for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

Accounts Receivable and Provision for Doubtful Accounts

Accounts receivable at October 31, 1995 and 1996, include immaterial amounts of claims and unapproved change orders, however, the Company generally does not recognize change orders until they are approved.

The Company provides an allowance for doubtful accounts based upon a percentage of gross sales revenue. In addition, the Company reserves for specific accounts when collection of such accounts is no longer probable.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109. Under this method, deferred tax assets and liabilities are recorded for future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Reference is made to the "Revenue Recognition" section of this footnote and Note 11 for discussion of significant estimates reflected in the Company's financial statements.

New Accounting Pronouncement

Effective November 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. The effect of any impairment would be to expense the difference between the fair value of such property and its carrying value. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

POLLOCK ELECTRIC INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	OCTOBER 31,	
		1995	1996
Transportation equipment.....	4-5	\$ 95	\$ 132
Machinery and equipment.....	5-7	221	267
Computer and telephone equipment.....	5	161	201
Leasehold improvements.....	5-39	71	107
Furniture and fixtures.....	5-7	15	24
		563	731
Less -- Accumulated depreciation and amortization.....		(283)	(390)
Property and equipment, net.....		\$ 280	\$ 341

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Activity in the Company's allowance for doubtful accounts receivable consists of the following (in thousands):

	OCTOBER 31,	
	1995	1996
Balance at beginning of period.....	\$ 68	\$ 96
Additions to costs and expenses.....	59	108
Deductions for uncollectible receivables written off and recoveries.....	(31)	(26)
Balance at end of period.....	\$ 96	\$178

Accounts payable and accrued expenses consist of the following (in thousands):

	OCTOBER 31,	
	1995	1996
Accounts payable, trade.....	\$ 944	\$2,553
Accrued compensation and benefits.....	301	344
Other accrued expenses.....	133	116
	\$1,378	\$3,013

POLLOCK ELECTRIC INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Electrical system installation contracts in progress are as follows (in thousands):

	OCTOBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	\$ 1,300	\$ 6,592
Estimated earnings, net of losses.....	239	742
	1,539	7,334
Less -- Billings to date.....	(1,374)	(7,449)
	\$ 165	\$ (115)
	=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 399	\$ 202
Less -- Billings in excess of costs and estimated earnings on uncompleted contracts.....	(234)	(317)
	\$ 165	\$ (115)
	=====	=====

5. LINE OF CREDIT:

The Company has a \$2,500,000 line of credit with a bank. At October 31, 1995 and 1996, unpaid borrowings were \$625,000 and \$1,350,000, respectively. The line of credit expires February 28, 1998, and bears interest at the bank's prime lending rate plus 1 percent. The line of credit is personally guaranteed by Jon Pollock, sole stockholder and president of the Company, and is secured by all accounts, contract rights, chattel paper, instruments, general intangibles, rights to payments of any kind, all interest of the Company in any goods, and a blanket lien of all property and equipment. The borrowing base is limited to 75 percent of eligible accounts receivable that are outstanding less than 60 days from the invoice date.

Interest is computed monthly on the unpaid balance and is payable monthly. The Company has restrictive and various financial covenants with which the Company was in compliance at October 31, 1996.

6. LEASES:

The Company leases its office space from its sole stockholder and president under a lease agreement with a primary lease term of one year beginning November 15, 1991. At the expiration of the primary lease term, the Company exercised its option to extend the lease for an additional five-year period. Effective November 1, 1995, the lease agreement was modified to include additional office space. The basic rent was increased to \$3,000 per month, and the expiration date was extended to November 30, 1998.

In addition to the basic lease cost, the Company must pay insurance, actual taxes, maintenance and other operating costs. The rent paid under this related-party lease was \$20,161 and \$36,000 for the years ended October 31, 1995 and 1996, respectively.

Future minimum lease payments under this noncancelable operating lease are as follows (in thousands):

Year ending October 31 --	
1997.....	\$36
1998.....	36
1999.....	3
Thereafter.....	--

	\$75
	===

POLLOCK ELECTRIC INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Certain vehicles and equipment have been leased under terms that constitute capital leases. Accordingly, the costs of the assets (the lower of the cash purchase price or the present value of the future minimum lease payments) were recorded as an addition to property and the related liabilities were recorded as lease obligations. The assets are amortized using the straight-line method, and interest expense is recorded on the basis of the outstanding lease obligation.

The net present value of future minimum lease payments under the capital leases as recorded in short-term and long-term debt at October 31, 1996, are as follows (in thousands):

Year ending October 31 --	
1997.....	\$ 54
1998.....	51
1999.....	32
Thereafter.....	--

	\$137
	=====

7. INCOME TAXES (IN THOUSANDS):

Federal and state income taxes are as follows:

	YEAR ENDED	
	OCTOBER 31,	

	1995	1996
	----	----
Federal --		
Current.....	\$259	\$ 72
Deferred.....	(187)	(99)
State --		
Current.....	35	10
Deferred.....	(25)	(13)
	----	----
	\$ 82	\$(30)
	=====	=====

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate rate of 35 percent to income (loss) for income taxes as follows:

	OCTOBER 31,	

	1995	1996
	----	----
Income tax expense (recovery) at the statutory rate.....	\$61	\$(45)
Increase (decrease) resulting from --		
State income taxes, net of related tax effect.....	6	(2)
Nondeductible expenses.....	15	17
	----	----
	\$82	\$(30)
	====	=====

POLLOCK ELECTRIC INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Deferred income taxes result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effects of these temporary differences, representing deferred tax assets and liabilities, result principally from the following:

	OCTOBER 31,	
	1995	1996
Deferred income tax assets --		
Bad Debt Reserve.....	\$ 42	\$ 51
Warranty Reserve.....	28	44
Contracts.....	51	50
Accrued Expenses.....	40	118
	-----	-----
Total deferred income tax assets.....	161	263
	-----	-----
Deferred income tax liabilities --		
Property & Equipment.....	(17)	(17)
State Taxes.....	(1)	(4)
Contracts.....	(116)	(103)
	-----	-----
Total deferred income tax liabilities.....	(134)	(124)
	-----	-----
Total deferred income tax assets.....	\$ 27	\$ 139
	=====	=====

The net deferred tax assets and liabilities are comprised of the following:

	OCTOBER 31,	
	1995	1996
Deferred tax assets --		
Current.....	\$ 161	\$ 263
Long-term.....	--	--
	-----	-----
Total.....	161	263
	-----	-----
Deferred tax liabilities --		
Current.....	(114)	(104)
Long-term.....	(20)	(20)
	-----	-----
Total.....	(134)	(124)
	-----	-----
Net deferred income tax assets.....	\$ 27	\$ 139
	=====	=====

8. RELATED-PARTY TRANSACTIONS:

The Company leases its office space from its sole stockholder and president. Total payments made under this lease agreement were \$20,161 and \$36,000 for the years ended October 31, 1995 and 1996, respectively (see Note 6).

In 1995, the Company encouraged its employees to purchase personal computers by making the down payments for the purchases. The employees are repaying the Company through payroll deductions. The outstanding amounts are classified as accounts receivable, other in the accompanying balance sheets.

9. EMPLOYEE BENEFIT PLANS:

Stock Appreciation Plan

On May 4, 1994, the Company adopted a stock appreciation rights plan titled the Stock Unit Plan (the Plan). Under the Plan, stock rights or units were awarded to employees valued at the book value of the

POLLOCK ELECTRIC INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Company's stock at that date. Subsequent increases in the book value of the stock accrue to the benefit of the officer or employee, while decreases in the book value reduce accrued benefits. Payments of amounts accrued under the Plan are payable at retirement or resignation from the Company, except for cases of termination with cause, at which time the units and benefits are forfeited. Deferred compensation liability accrued under the Plan totaled \$11,500 and \$17,435 at October 31, 1995 and 1996, respectively. The change in the value of the stock appreciation rights under the Plan are recorded as compensation expense as the Company's net book value fluctuates.

Stock Purchase Agreement

The Company has entered into various agreements with certain of its officers to provide for business continuity in the event of the death of the Company's president and sole stockholder. The agreements provide for the purchase of life insurance on the Company's president through split-dollar arrangements and term insurance to provide funds for the officers of the Company to acquire the president's stock in the event of his death. All amounts advanced by the Company to pay premiums that are not subject to reimbursement from the officers shall be collectible by the Company from the net equity of the insurance policy or from the proceeds paid thereon.

Profit-Sharing and 401(k) Plan

Effective November 1, 1994, the Company established a defined contribution plan for its employees. Employees over the age of 21 are eligible to participate after one year of service with the Company. Under this plan, employees may elect to defer up to 15 percent of their salary, subject to Internal Revenue Code limits. The Company may make a discretionary match as well as a discretionary profit-sharing contribution. The Company's contribution for the years ended October 31, 1995 and 1996, totaled \$16,970 and \$22,466, respectively, and the Company has accrued approximately \$22,466 at October 31, 1996, for contributions to be funded in the subsequent fiscal year.

10. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, a line of credit and notes payable. The Company believes that the carrying value of these instruments on the accompanying balance sheets approximates their fair value.

11. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

Insurance

The Company carries a broad range of insurance coverage, including business auto liability, workers' compensation, general liability and an umbrella policy. The Company has not incurred significant uninsured losses on any of these items.

12. MAJOR CUSTOMERS AND RISK CONCENTRATION:

The Company had sales of approximately 16 percent of total sales to one major customer during the years ended October 31, 1995 and 1996.

POLLOCK ELECTRIC INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

In addition, the Company grants credit, generally without collateral, to its customers, which are general contractors located primarily in Harris County, Texas, and surrounding areas. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within the commercial and industrial markets in this geographic region. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

13. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT (UNAUDITED):

In October 1997, the Company and its stockholders entered into a definitive agreement with Integrated Electrical Services, Inc. (IES), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of IES common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by IES. In addition, the key executives of the Company entered into employment agreements with the Company and IES which have an initial term of five years, and generally restrict the disclosure of confidential information as well as restrict competition with the Company and IES for a period of two years following termination of employment.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Haymaker Electric, Ltd.:

We have audited the accompanying balance sheet of Haymaker Electric, Ltd., an Alabama limited partnership, as of December 31, 1996, and the related statements of operations, cash flows and partners' capital for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haymaker Electric, Ltd., as of December 31, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
October 15, 1997

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HAYMAKER ELECTRIC, LTD.
(AN ALABAMA LIMITED PARTNERSHIP)

BALANCE SHEETS
(IN THOUSANDS)

ASSETS

	DECEMBER 31, 1996	JUNE 30, 1997 (UNAUDITED)
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 1	\$ 13
Accounts receivable --		
Trade, net of allowance of \$42 and \$65, respectively...	1,186	2,002
Retainage.....	444	531
Notes receivable, related party.....	54	62
Costs and estimated earnings in excess of billings on uncompleted contracts.....	167	578
Prepaid expenses and other current assets.....	3	4
	-----	-----
Total current assets.....	1,855	3,190
PROPERTY AND EQUIPMENT, net.....	40	60
	-----	-----
Total assets.....	\$1,895	\$3,250
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Short-term borrowings.....	\$ --	\$ 230
Accounts payable and accrued expenses.....	1,052	1,581
Billings in excess of costs and estimated earnings on uncompleted contracts.....	66	420
	-----	-----
Total current liabilities.....	1,118	2,231
COMMITMENTS AND CONTINGENCIES		
PARTNERS' CAPITAL.....	777	1,019
	-----	-----
Total liabilities and partners' capital.....	\$1,895	\$3,250
	=====	=====

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

HAYMAKER ELECTRIC, LTD.
(AN ALABAMA LIMITED PARTNERSHIP)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED	SIX MONTHS	
	DECEMBER 31,	ENDED JUNE	30,
	1996	1996	1996
		(UNAUDITED)	
REVENUES.....	\$7,560	\$3,187	\$5,841
COST OF SERVICES (including depreciation).....	6,412	2,824	5,052
Gross profit.....	1,148	363	789
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	713	258	548
Income from operations.....	435	105	241
OTHER INCOME (EXPENSE):			
Other.....	8	3	1
Other income (expense), net.....	8	3	1
NET INCOME.....	\$ 443	\$ 108	\$ 242
	=====	=====	=====

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

HAYMAKER ELECTRIC, LTD.
(AN ALABAMA LIMITED PARTNERSHIP)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1996	SIX MONTHS ENDED JUNE 30, ----- 1996 1997 ----- (UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 443	\$ 108	\$ 242
Adjustments to reconcile net income to net cash provided by (used in) operating activities --			
Depreciation and amortization.....	16	8	9
Loss (gain) on sale of property and equipment.....	--	(1)	--
Changes in operating assets and liabilities --			
(Increase) decrease in --			
Accounts receivable.....	(774)	(257)	(903)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	(15)	(41)	(411)
Prepaid expenses and other current assets.....	1	(1)	(1)
Increase (decrease) in --			
Accounts payable and accrued expenses.....	411	(30)	529
Billings in excess of costs and estimated earnings on uncompleted contracts.....	51	130	354
-----	-----	-----	-----
Net cash provided by (used in) operating activities.....	133	(84)	(181)
-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Notes receivable, related party and other, net.....	1	7	(8)
Additions of property and equipment.....	(22)	(12)	(29)
Proceeds from sale of property and equipment.....	--	1	--
-----	-----	-----	-----
Net cash used in investing activities.....	(21)	(4)	(37)
-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Short-term borrowings.....	--	--	230
Distributions to partners.....	(210)	(10)	--
-----	-----	-----	-----
Net cash provided by (used in) financing activities.....	(210)	(10)	230
-----	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(98)	(98)	12
CASH AND CASH EQUIVALENTS, beginning of period.....	99	99	1
-----	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$ 1	\$ 1	\$ 13
=====	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for --			
Interest.....	\$ 75	\$ 32	\$ 10

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

HAYMAKER ELECTRIC, LTD.
(AN ALABAMA LIMITED PARTNERSHIP)

STATEMENTS OF PARTNERS' CAPITAL
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	LIMITED PARTNER	GENERAL PARTNER	TOTAL PARTNERS' CAPITAL
	-----	-----	-----
BALANCE, December 31, 1995.....	\$490	\$ 54	\$ 544
Distributions to partners.....	(209)	(1)	(210)
Net income.....	398	45	443
	----	----	-----
BALANCE, December 31, 1996.....	679	98	777
Net income (unaudited).....	218	24	242
	----	----	-----
BALANCE, June 30, 1997 (unaudited).....	\$897	\$122	\$1,019
	=====	=====	=====

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

HAYMAKER ELECTRIC, LTD.
(AN ALABAMA LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Haymaker Electric, Ltd. (the Company), an Alabama limited partnership, focuses on providing electrical system installation and repair services primarily for mid-sized to large commercial facilities. The Company performs the majority of its contract work under cost-plus-fee contracts and fixed price contracts, with contract terms generally ranging from two to 18 months. The Company performs the majority of its work in the state of Alabama.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Interim Financial Information

The interim financial statements as of June 30, 1997, and for the six months ended June 30, 1996 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation expense was \$16,000 for the year ended December 31, 1996.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. 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. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's

HAYMAKER ELECTRIC, LTD.
(AN ALABAMA LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

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

Warranty Costs

For certain contracts, the Company warrants labor for the first year after installation of new electrical systems. The Company generally warrants labor for 30 days after servicing of existing electrical systems. A reserve for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

Provision for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer probable.

Income Taxes

The Company is an Alabama limited partnership and is not subject to federal income tax. The earnings of the Company are taxable to the individual partners.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Reference is made to the "Revenue Recognition" section of this footnote and Note 10 for discussion of significant estimates reflected in the Company's financial statements.

New Accounting Pronouncement

Effective November 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. The effect of any impairment would be to expense the difference between the fair value of such property and its carrying value. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

HAYMAKER ELECTRIC, LTD.
(AN ALABAMA LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1996
	-----	-----
Transportation equipment.....	5-6	\$ 52
Machinery and equipment.....	5-10	33
Leasehold improvements.....	40	2
Furniture and fixtures.....	3-10	83

		170
Less -- Accumulated depreciation and amortization.....		(130)

Property and equipment, net.....		\$ 40
		=====

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Activity in the Company's allowance for doubtful accounts receivable consists of the following (in thousands):

	DECEMBER 31, 1996

Balance at beginning of period.....	\$22
Additions to costs and expenses.....	20

Balance at end of period.....	\$42
	===

Accounts payable and accrued expenses consist of the following (in thousands):

	DECEMBER 31, 1996

Accounts payable, trade.....	\$ 685
Accrued compensation and benefits.....	175
Other accrued expenses.....	192

	\$1,052
	=====

Electrical system installation contracts in progress are as follows (in thousands):

	DECEMBER 31, 1996

Costs incurred on contracts in progress.....	\$4,304
Estimated earnings, net of losses.....	546

	4,850
Less -- Billings to date.....	(4,749)

	\$ 101
	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 167
Less -- Billings in excess of costs and estimated earnings on uncompleted contracts.....	(66)

	\$ 101
	=====

HAYMAKER ELECTRIC, LTD.
(AN ALABAMA LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

5. LONG-TERM DEBT:

The Company has a \$650,000 line of credit with a bank. The line of credit expires June 30, 1998, and bears interest at 1 percent over the prime lending rate. The line of credit is secured by a stockholder of a partner corporation.

6. LEASES:

The Company leases a facility from a company which is owned by one of the Company's partners. The lease expires on December 31, 1997. The rent paid under this related-party lease was approximately \$34,000 for the year ended December 31, 1996.

Future minimum lease payments under these noncancelable operating leases are as follows (in thousands):

Year ending December 31 --	
1997.....	\$35
	===

7. RELATED-PARTY TRANSACTIONS:

Notes receivable at December 31, 1996, includes amounts due from the partner corporations totaling \$37,000 and a note for \$17,000 due from the sole stockholder of a partner corporation.

The Company rents its facilities from a partner corporation (see Note 6).

8. EMPLOYEE BENEFIT PLAN:

The Company has a defined contribution profit-sharing plan. The plan provides for the Company to match 3 percent of the gross salary of each employee subject to certain limitations. All participants are immediately fully vested. Total contributions by the Company under the plan were approximately \$51,000 for the year ending December 31, 1996.

9. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, a line of credit and short-term borrowings. The Company believes that the carrying value of these instruments on the accompanying balance sheets approximates their fair value.

10. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

Insurance

The Company carries a broad range of insurance coverage, including business auto liability, general liability and an umbrella policy. The Company has not incurred significant uninsured losses on any of these items.

11. MAJOR CUSTOMERS AND RISK CONCENTRATION:

The Company had sales comprising approximately 10%, 11% and 11% of total sales to three major customers during the year ended December 31, 1996.

HAYMAKER ELECTRIC, LTD.
(AN ALABAMA LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

12. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT (UNAUDITED):

In October 1997, the Company and its stockholders entered into a definitive agreement with Integrated Electrical Services, Inc. (IES), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of IES common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by IES. In addition, the key executives of the Company entered into employment agreements with the Company and IES which have an initial term of five years, and generally restrict the disclosure of confidential information as well as restrict competition with the Company and IES for a period of two years following termination of employment.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Amber Electric, Inc.:

We have audited the accompanying balance sheets of Amber Electric, Inc., a Florida corporation, as of December 31, 1995 and 1996, and the related statements of operations, cash flows and stockholder's equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amber Electric, Inc., as of December 31, 1995 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
October 15, 1997

AMBER ELECTRIC, INC.

BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

ASSETS

	DECEMBER 31,		JUNE 30,
	1995	1996	1997
			(UNAUDITED)
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 83	\$ 565	\$ 759
Accounts receivable --			
Trade, net of allowance of \$28, \$40 and \$47, respectively.....	1,159	1,382	2,036
Retainage.....	468	518	546
Inventories.....	39	28	20
Costs and estimated earnings in excess of billings on uncompleted contracts.....	25	151	62
Employee advances (Note 8).....	2	29	52
Deferred tax asset.....	36	65	134
Prepaid expenses and other current assets.....	22	--	42
	-----	-----	-----
Total current assets.....	1,834	2,738	3,651
PROPERTY AND EQUIPMENT, net.....	284	380	498
NOTE RECEIVABLE, related party (Note 8).....	37	58	67
	-----	-----	-----
Total assets.....	<u>\$2,155</u>	<u>\$3,176</u>	<u>\$4,216</u>
	=====	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term debt.....	\$ 96	\$ 133	\$ 173
Line of credit.....	101	--	--
Accounts payable and accrued expenses.....	696	1,157	1,162
Income taxes payable.....	3	244	534
Billings in excess of costs and estimated earnings on uncompleted contracts.....	355	408	475
Note payable, related party (Note 8).....	--	100	--
Deferred tax liability.....	129	97	81
	-----	-----	-----
Total current liabilities.....	1,380	2,139	2,425
LONG-TERM DEBT, net of current maturities.....	573	538	553
DEFERRED TAX LIABILITY.....	38	45	52
COMMITMENTS AND CONTINGENCIES (Note 11)			
STOCKHOLDER'S EQUITY:			
Common stock, \$1 par value, 7,500 shares authorized, 1,100 shares issued and outstanding.....	1	1	1
Retained earnings.....	597	887	1,619
Treasury stock, 539 shares, at cost.....	(434)	(434)	(434)
	-----	-----	-----
Total stockholder's equity.....	164	454	1,186
	-----	-----	-----
Total liabilities and stockholder's equity.....	<u>\$2,155</u>	<u>\$3,176</u>	<u>\$4,216</u>
	=====	=====	=====

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

AMBER ELECTRIC, INC.
 STATEMENTS OF OPERATIONS
 (IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
	(UNAUDITED)			
REVENUES.....	\$9,728	\$13,878	\$6,881	\$7,910
COST OF SERVICES (including depreciation).....	8,635	12,215	5,564	5,765
Gross profit.....	1,093	1,663	1,317	2,145
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	957	1,160	889	946
Income from operations.....	136	503	428	1,199
OTHER INCOME (EXPENSE):				
Interest expense.....	(65)	(51)	(38)	(31)
Other.....	24	36	8	32
Other income (expense), net.....	(41)	(15)	(30)	1
INCOME BEFORE PROVISION FOR INCOME TAXES.....	95	488	398	1,200
PROVISION FOR INCOME TAXES.....	36	198	158	468
NET INCOME.....	\$ 59	\$ 290	\$ 240	\$ 732

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

AMBER ELECTRIC, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
	-----	-----	-----	-----
	(UNAUDITED)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income.....	\$ 59	\$ 290	\$ 240	\$ 732
Adjustments to reconcile net income to net cash provided by operating activities --				
Depreciation and amortization.....	62	87	40	42
Bad debt expense.....	17	35	6	12
Loss on sale of property and equipment.....	--	5	1	--
Increase in cash surrender value of life insurance policy.....	(14)	--	--	--
Deferred income taxes.....	(41)	24	(6)	(78)
Changes in operating assets and liabilities --				
(Increase) decrease in --				
Accounts receivable.....	(299)	(308)	(397)	(689)
Inventories.....	15	11	17	8
Costs and estimated earnings in excess of billings on uncompleted contracts.....	(6)	(126)	(83)	89
Employee advances.....	14	(27)	(9)	(23)
Prepaid expenses and other current assets.....	(7)	22	14	(42)
Note receivable, related party.....	--	(21)	(11)	(9)
Increase (decrease) in --				
Accounts payable and accrued expenses.....	20	461	251	5
Billings in excess of costs and estimated earnings on uncompleted contracts.....	304	53	333	67
Income taxes payable.....	49	163	156	290
Other, net.....	4	1	(12)	(3)
Net cash provided by operating activities.....	----- 177	----- 670	----- 540	----- 401
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of property and equipment.....	5	2	1	--
Additions of property and equipment.....	(155)	(190)	(69)	(162)
Net cash used in investing activities.....	----- (150)	----- (188)	----- (68)	----- (162)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Note payable, related party.....	--	100	--	(100)
Borrowings of line of credit.....	101	--	--	--
Payments of line of credit.....	(125)	(101)	(101)	--
Borrowings of long-term debt.....	104	131	58	128
Payments of long-term debt.....	(74)	(130)	(45)	(73)
Net cash provided by (used in) financing activities.....	----- 6	----- --	----- (88)	----- (45)
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	33	482	384	194
CASH AND CASH EQUIVALENTS, beginning of period.....	50	83	83	565
CASH AND CASH EQUIVALENTS, end of period.....	=====	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for --				
Interest.....	\$ 65	\$ 51	\$ 38	\$ 31
Income taxes.....	27	10	8	257

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

AMBER ELECTRIC, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDER'S EQUITY
	SHARES	AMOUNT			
BALANCE, December 31, 1994.....	1,100	\$1	\$ 538	\$(434)	\$ 105
Net income.....	--	--	59	--	59
BALANCE, December 31, 1995.....	1,100	1	597	(434)	164
Net income.....	--	--	290	--	290
BALANCE, December 31, 1996.....	1,100	1	887	(434)	454
Net income (unaudited).....	--	--	732	--	732
BALANCE, June 30, 1997 (unaudited).....	1,100	\$1	\$1,619	\$(434)	\$1,186
	=====	==	=====	=====	=====

The accompanying notes are an integral part of these financial statements

AMBER ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Amber Electric, Inc. (the Company), a Florida corporation, focuses on providing electrical system installation and repair services primarily for residential and mid-sized to large commercial facilities. The Company performs the majority of its contract work under fixed price contracts, with contract terms generally ranging from two to 12 months. The Company performs the majority of its work in central Florida.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Interim Financial Information

The interim financial statements as of June 30, 1997, and for the six months ended June 30, 1996 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories consist of parts and supplies held for use in the ordinary course of business and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line and declining-balance methods over the estimated useful lives of the related assets. Leasehold improvements are capitalized and amortized over the estimated useful life of the asset. Depreciation and amortization expense was approximately \$62,000 and \$87,000 for the years ended December 31, 1995 and 1996, respectively.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. 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. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

AMBER ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

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

Warranty Costs

For certain contracts, the Company warrants labor for the first year after installation of new electrical systems. The Company generally warrants labor for one year after servicing of existing electrical systems.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer probable.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109. Under this method, deferred assets and liabilities are recorded for future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and are measured using enacted tax rates and laws.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Reference is made to the "Revenue Recognition" section of this footnote for discussion of significant estimates reflected in the Company's financial statements.

New Accounting Pronouncement

Effective November 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. The effect of any impairment would be to expense the difference between the fair value of such property and its carrying value. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

AMBER ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31,	
		1995	1996
Transportation equipment.....	3-7	\$ 430	\$ 541
Machinery and equipment.....	3-7	101	78
Leasehold improvements.....	5-39	76	74
Furniture and fixtures.....	3-7	121	91
		728	784
Less - Accumulated depreciation and amortization.....		(444)	(404)
Property and equipment, net.....		\$ 284	\$ 380

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Activity in the Company's allowance for doubtful accounts receivable consists of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Balance at beginning of period.....	\$ 17	\$ 28
Additions to costs and expenses.....	17	35
Deductions for uncollectible receivables written off and recoveries.....	(6)	(23)
Balance at end of period.....	\$ 28	\$ 40

Accounts payable and accrued expenses consist of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	\$ 537	\$ 882
Accrued compensation and benefits.....	84	110
Other accrued expenses.....	75	165
	\$ 696	\$ 1,157

Electrical system installation contracts in progress are as follows (in thousands):

	DECEMBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	\$ 1,912	\$ 2,100
Estimated earnings, net of losses.....	333	258
	2,245	2,358
Less -- Billings to date.....	(2,575)	(2,615)
	\$ (330)	\$ (257)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 25	\$ 151
Less -- Billings in excess of costs and estimated earnings on uncompleted contracts.....	(355)	(408)
	\$ (330)	\$ (257)

AMBER ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

5. LONG-TERM DEBT:

Long-term debt consists of notes payable to various banks. The debt is secured by certain equipment. The notes are payable in monthly installments including interest at rates ranging from 8 percent to 10.9 percent.

The Company has a note payable to a former stockholder payable in monthly installments of \$4,333, including interest at 7.5 percent, due August 2004. The debt is guaranteed by the majority stockholder. The balance of such debt was approximately \$330,000 and \$302,000 at December 31, 1995 and 1996, respectively.

The Company also has a note payable outstanding to an individual with a 5 percent stated interest rate and an 8.12 percent imputed interest rate. The note is payable in monthly installments of principal and interest of \$1,893, collateralized by equipment and inventories, and is due February 2005. The balance of the note was approximately \$168,000 and \$153,000 at December 31, 1995 and 1996, respectively.

The maturities of long-term debt as of December 31, 1996, are as follows (in thousands):

Year ending December 31 --	
1997.....	\$133
1998.....	137
1999.....	86
2000.....	59
2001.....	60
Thereafter.....	196

	\$671
	====

At December 31, 1996, the Company had a \$500,000 line of credit with a bank, collateralized by accounts receivable and certain other assets. Interest is payable monthly at the bank's prime rate (8.25 percent at December 31, 1996) plus 0.75 percent. The agreement stipulates a minimum interest rate of 8 percent. Any amounts available are limited to 75 percent of eligible accounts receivable, as defined. At December 31, 1996, the entire amount of the line remains available to be borrowed. The line of credit is subject to a continuing guarantee by the Company's majority stockholder. The line of credit was renewed and is due on demand, but in no event no later than July 5, 1998. The new line of credit carries interest at the bank's prime rate.

At December 31, 1995, the maximum amount available under such line of credit was approximately \$99,000 as the Company had a \$200,000 line of credit with the bank.

6. LEASES:

The Company leases office space from the majority stockholder under a month-to-month operating lease. Rent expense incurred under this related-party lease was approximately \$67,000 and \$81,000 for the years ended December 31, 1995 and 1996, respectively.

There are no future minimum lease payments under this operating lease.

AMBER ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

7. INCOME TAXES (IN THOUSANDS):

Federal income taxes are as follows:

	YEAR ENDED DECEMBER 31,	
	1995	1996
Federal --		
Current.....	\$ 1	\$224
Deferred.....	30	(54)
	----	----
	\$ 31	\$170
	=====	=====
State --		
Current.....	\$ --	\$ 27
Deferred.....	5	1
	----	----
	\$ 36	\$198
	=====	=====

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate rate of 35 percent to income before provision for income taxes as follows:

	YEAR ENDED DECEMBER 31,	
	1995	1996
Provision at the statutory rate.....	\$33	\$171
Increase resulting from --		
State income taxes, net of related federal benefit.....	3	19
Permanent differences, primarily meals and entertainment.....	--	8
	----	----
	\$36	\$198
	====	=====

Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effects of these temporary differences, representing deferred tax assets and liabilities, result principally from the following:

	DECEMBER 31,	
	1995	1996
Deferred tax assets --		
Allowance for doubtful accounts.....	11	17
Other accrued expenses not deducted for tax purposes.....	25	48
	----	----
Total.....	\$ 36	\$ 65
	=====	=====
Deferred tax liabilities --		
Accounting for long-term contracts.....	\$(129)	\$(97)
Bases differences on property and equipment and capital lease accounting.....	(38)	(45)
	----	----
Total.....	(167)	(142)
	----	----
Net deferred income tax liabilities.....	(131)	(77)
	=====	=====

AMBER ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The net deferred tax assets and liabilities are comprised of the following:

	DECEMBER 31,	
	1995	1996
Deferred tax assets --		
Current.....	\$ 36	\$ 65
Long-term.....	--	--
Total.....	36	65
Deferred tax liabilities --		
Current.....	(129)	(97)
Long-term.....	(38)	(45)
Total.....	(167)	(142)
Net deferred tax liability.....	<u>\$(131)</u>	<u>\$(77)</u>

8. RELATED-PARTY TRANSACTIONS:

During 1995, the Company transferred its interest in the cash surrender value of life insurance policies in exchange for a note receivable bearing annual interest of 4 percent to a partnership controlled by the majority stockholder of the Company. The entire principal and accrued interest is due August 2005. The Company continues to pay premiums for this policy, also increasing the receivable.

The Company had a note payable to the majority stockholder at December 31, 1996, which represented a bonus to the stockholder and was loaned to the Company without interest attached. The balance was subsequently paid to the stockholder.

The Company will advance money to employees on occasion. Advanced amounts are based on certain levels of employment and are repaid to the Company based on a variety of repayment plans.

9. EMPLOYEE BENEFIT PLAN:

The Company has a defined contribution profit-sharing plan. The plan provides for the Company to match, on a discretionary basis, one-half of the first 4 percent contributed by each employee. Total contributions by the Company under the plan were approximately \$31,000 and \$44,000 for the years ending December 31, 1995 and 1996, respectively. The Company had accrued approximately \$24,000 at December 31, 1996, for contributions to be funded in the subsequent fiscal year.

10. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, employee advances, notes receivable, a line of credit, accounts payable, notes payable and long-term debt. The Company believes that the carrying value of these instruments on the accompanying balance sheets approximates their fair value.

11. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

AMBER ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Insurance

The Company carries a broad range of insurance coverage, including business auto liability, general liability and an umbrella policy. The Company has not incurred significant uninsured losses on any of these items.

The Company provides for workers' compensation insurance through a partially self-insured plan whereby the Company is responsible for certain incurred losses with a maximum of 125 percent of standard state-rated workers' compensation premiums. Estimated claims incurred during the years ended December 31, 1995 and 1996, were not material. Accordingly, the Company has not recorded any reserves for its portion of self-insurance claims. During 1997, the Company enrolled in a secured individual preferred dividend safety incentive program for workers' compensation with a maximum premium of 100 percent of the total normal state-rated premium. Employee health insurance is provided for under a fully insured medical plan consisting of HMO and POS programs.

12. MAJOR CUSTOMERS AND RISK CONCENTRATION:

The Company had sales of approximately 16 percent of total sales to one major customer for the year ended December 31, 1995, and sales of approximately 15 and 13 percent of total sales to two major customers for the year ended December 31, 1996.

In addition, the Company grants credit, generally without collateral, to its customers, which are real estate operations, general contractors, etc., located primarily in central Florida. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within the central Florida region. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

The Company routinely maintains cash balances in financial institutions in excess of federally insured limits.

13. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT (UNAUDITED):

In October 1997, the Company and its stockholders entered into a definitive agreement with Integrated Electrical Services, Inc. (IES), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of IES common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by IES. In addition, the key executives of the Company entered into employment agreements with the Company and IES which have an initial term of five years, and generally restrict the disclosure of confidential information as well as restrict competition with the Company and IES for a period of two years following termination of employment.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Daniel Electrical Contractors, Inc. and
Daniel Electrical of Treasure Coast, Inc.:

We have audited the accompanying combined balance sheets of Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation, as of December 31, 1995 and 1996, and the related combined statements of operations, cash flows and stockholder's equity for the years then ended. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Daniel Electrical Contractors, Inc. and Daniel Electrical of Treasure Coast, Inc., as of December 31, 1995 and 1996, and the combined results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
October 15, 1997

DANIEL ELECTRICAL CONTRACTORS, INC. AND
DANIEL ELECTRICAL OF TREASURE COAST, INC.

COMBINED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31,		JUNE 30,
	1995	1996	1997
	-----	-----	-----
			(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 62	\$ 411	\$ 343
Investments.....	393	694	858
Accounts receivable --			
Trade, net of allowance of \$68, \$69 and \$102, respectively.....	1,819	1,444	3,429
Retainage, net of allowance of \$ -- , \$12 and \$12, respectively.....	815	1,353	1,500
Employee receivables (Note 7).....	8	17	26
Inventories.....	103	84	68
Costs and estimated earnings in excess of billings on uncompleted contracts.....	119	719	565
Prepaid expenses and other current assets.....	24	35	36
	-----	-----	-----
Total current assets.....	3,343	4,757	6,825
PROPERTY AND EQUIPMENT, net.....	322	371	527
	-----	-----	-----
Total assets.....	<u>\$3,665</u>	<u>\$5,128</u>	<u>\$7,352</u>
	=====	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term debt.....	\$ 46	\$ 34	\$ 53
Accounts payable and accrued expenses.....	1,325	946	2,110
Billings in excess of costs and estimated earnings on uncompleted contracts.....	121	752	858
Deposit on contract in progress.....	--	500	--
Other current liabilities (Note 7).....	477	114	81
	-----	-----	-----
Total current liabilities.....	1,969	2,346	3,102
LONG-TERM DEBT, net of current maturities.....	42	52	89
OTHER LONG-TERM LIABILITIES (Note 7).....	483	483	483
COMMITMENTS AND CONTINGENCIES STOCKHOLDER'S EQUITY:			
Common stock, \$1 par value, 7,600 shares authorized, 7,600 shares issued and outstanding at December 31, 1995 and 1996, and June 30, 1997.....	8	8	8
Retained earnings.....	1,110	2,111	3,416
Unrealized gain on securities.....	53	128	254
	-----	-----	-----
Total stockholder's equity.....	1,171	2,247	3,678
	-----	-----	-----
Total liabilities and stockholder's equity.....	<u>\$3,665</u>	<u>\$5,128</u>	<u>\$7,352</u>
	=====	=====	=====

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

DANIEL ELECTRICAL CONTRACTORS, INC. AND
DANIEL ELECTRICAL OF TREASURE COAST, INC.

COMBINED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
			(UNAUDITED)	
REVENUES.....	\$12,049	\$12,585	\$5,134	\$9,259
COST OF SERVICES (including depreciation).....	11,725	9,713	3,979	6,294
Gross profit.....	324	2,872	1,155	2,965
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	1,502	1,884	874	1,267
Income (loss) from operations.....	(1,178)	988	281	1,698
OTHER INCOME (EXPENSE):				
Interest expense.....	(46)	(73)	(43)	(46)
Other.....	71	86	49	48
Other income (expense), net.....	25	13	6	2
NET INCOME (LOSS).....	\$(1,153)	\$ 1,001	\$ 287	\$1,700

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

DANIEL ELECTRICAL CONTRACTORS, INC. AND
DANIEL ELECTRICAL OF TREASURE COAST, INC.

COMBINED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
	(UNAUDITED)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income.....	\$(1,153)	\$1,001	\$ 287	\$1,700
Adjustments to reconcile net income to net cash provided by (used in) operating activities --				
Depreciation and amortization.....	113	125	61	73
Provision for bad debts.....	29	205	46	33
Loss on abandonment of leasehold improvements....	--	--	--	34
Changes in operating assets and liabilities --				
(Increase) decrease in --				
Accounts receivable.....	423	(185)	(118)	(2,174)
Inventories.....	14	19	(50)	16
Costs and estimated earnings in excess of billings on uncompleted contracts.....	733	(600)	(1)	154
Prepaid expenses and other current assets....	25	(11)	(6)	(1)
Increase (decrease) in --				
Accounts payable and accrued expenses.....	(567)	(379)	(470)	1,164
Deposits on contracts in progress.....	--	500	500	(500)
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(92)	631	511	106
Other current liabilities.....	(42)	(87)	(7)	(20)
Net cash provided by (used in) operating activities.....	(517)	1,219	753	585
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments.....	(31)	(306)	(3)	(5)
Additions of property and equipment.....	(97)	(175)	(73)	(294)
Net cash used in investing activities.....	(128)	(481)	(76)	(299)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings of long-term debt.....	350	17	17	117
Payments of long-term debt.....	(44)	(406)	(324)	(76)
Distributions to stockholders.....	--	--	--	(395)
Net cash provided by (used in) financing activities.....	306	(389)	(307)	(354)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS...	(339)	349	370	(68)
CASH AND CASH EQUIVALENTS, beginning of period.....	401	62	62	411
CASH AND CASH EQUIVALENTS, end of period.....	\$ 62	\$ 411	\$ 432	\$ 343
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for --				
Interest.....	\$ 20	\$ 113	\$ 17	\$ 4

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

DANIEL ELECTRICAL CONTRACTORS INC. AND
DANIEL ELECTRICAL OF TREASURE COAST, INC.

COMBINED STATEMENTS OF STOCKHOLDER'S EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL	RETAINED	UNREALIZED	TOTAL
	SHARES	AMOUNT	PAID-IN	EARNINGS	GAIN (LOSS)	STOCKHOLDER'S
	-----	-----	CAPITAL	-----	ON	EQUITY
	-----	-----	-----	-----	SECURITIES	-----
BALANCE, December 31, 1994.....	7,500	\$8	\$--	\$ 2,263	\$(13)	\$ 2,258
Issuance of stock in Daniel Electrical of Treasure Coast, Inc.	100	--	--	--	--	--
Change in unrealized gain on securities.....	--	--	--	--	66	66
Net (loss).....	--	--	--	(1,153)	--	(1,153)
BALANCE, December 31, 1995.....	7,600	8	--	1,110	53	1,171
Change in unrealized gain on securities.....	--	--	--	--	75	75
Net income.....	--	--	--	1,001	--	1,001
BALANCE, December 31, 1996.....	7,600	8	--	2,111	128	2,247
Distributions to stockholders (unaudited).....	--	--	--	(395)	--	(395)
Change in unrealized gain on securities (unaudited).....	--	--	--	--	126	126
Net income (unaudited).....	--	--	--	1,700	--	1,700
BALANCE, June 30, 1997 (unaudited).....	7,600	\$8	\$--	\$ 3,416	\$254	\$ 3,678
	=====	==	===	=====	====	=====

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

DANIEL ELECTRICAL CONTRACTORS, INC. AND
DANIEL ELECTRICAL OF TREASURE COAST, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Daniel Electrical Contractors, Inc. and Daniel Electrical of Treasure Coast, Inc., (collectively, the Company), both Florida corporations focuses on providing electrical system installation and repair services primarily for residential and mid-sized to large commercial facilities. The Company performs the majority of its contract work under fixed price contracts with contract terms generally ranging from six to 18 months. The Company performs the majority of its work in Dade County, Florida.

The combined financial statements include the accounts of Daniel Electrical Contractors, Inc. and Daniel Electrical of Treasure Coast, Inc. These entities are related by virtue of common ownership. All material intercompany balances have been eliminated in combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Interim Financial Information

The interim financial statements as of June 30, 1997, and for the six months ended June 30, 1996 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments in securities are classified as securities available for sale and consist of equity securities. Unrealized holding gains and losses on securities available for sale are reported on a net amount as a separate component of stockholder's equity.

Inventories

Inventories consist of parts and supplies held for use in the ordinary course of business and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation and amortization expense was \$113,000 and \$125,000 for the years ended December 31, 1995 and 1996, respectively.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

DANIEL ELECTRICAL CONTRACTORS, INC. AND
DANIEL ELECTRICAL OF TREASURE COAST, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Revenue Recognition

The Company recognizes revenue when services are performed, except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. 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. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

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

Warranty Costs

For certain contracts, the Company warrants labor for the first year after installation of new electrical systems. The Company generally warrants labor for 30 days after servicing existing electrical systems. A reserve for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

Accounts Receivable and Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer probable.

Income Taxes

The Company has elected S Corporation status as defined by the Internal Revenue Code, whereby the Company itself is not subject to taxation for federal purposes. Under S Corporation status, the stockholders report their share of the Company's taxable earnings or losses in their personal tax returns. Consequently, the accompanying financial statements of the Company do not include a provision for current or deferred income taxes. The Company intends to terminate its S Corporation status concurrently with the effective date of the Offering.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Reference is made to the "Revenue Recognition" section of this footnote and Note 10 for discussion of significant estimates reflected in the Company's financial statements.

DANIEL ELECTRICAL CONTRACTORS, INC. AND
DANIEL ELECTRICAL OF TREASURE COAST, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

New Accounting Pronouncement

Effective November 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. The effect of any impairments would be to expense the difference between the fair value of such property and its carrying value. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

3. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31,	
		1995	1996
Transportation equipment.....	5	\$ 446	\$ 517
Machinery and equipment.....	5	120	134
Computer and telephone equipment.....	5	92	114
Leasehold improvements.....	5	116	144
Furniture and fixtures.....	5	26	29
		800	938
Less -- Accumulated depreciation and amortization.....		(478)	(567)
Property and equipment, net.....		\$ 322	\$ 371
		=====	=====

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Activity in the Company's allowance for doubtful accounts receivable consists of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Balance at beginning of period.....	\$47	\$ 68
Additions to costs and expenses.....	29	205
Deductions for uncollectible receivables written off and recoveries.....	(8)	(192)
Balance at end of period.....	\$68	\$ 81
	===	=====

Accounts payable and accrued expenses consist of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	\$1,009	\$686
Accrued compensation and benefits.....	76	28
Other accrued expenses.....	240	232
	\$1,325	\$946
	=====	=====

DANIEL ELECTRICAL CONTRACTORS, INC. AND
DANIEL ELECTRICAL OF TREASURE COAST, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Electrical system installation contracts in progress are as follows (in thousands):

	DECEMBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	\$6,197	\$ 8,381
Estimated earnings, net of losses.....	1,238	2,993
	7,435	11,374
Less -- Billings to date.....	(7,437)	(11,407)
	\$ (2)	\$ (33)
	=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 119	\$ 719
Less -- Billings in excess of costs and estimated earnings on uncompleted contracts.....	(121)	(752)
	\$ (2)	\$ (33)
	=====	=====

5. LONG-TERM DEBT:

Long-term debt consists of installment obligations collateralized by certain transportation and computer equipment, and due in various monthly installments, including interest ranging from 6 percent to 11 percent.

The maturities of long-term debt at December 31, 1996, are as follows (in thousands):

1997.....	\$34
1998.....	51
1999.....	1

	\$86
	===

The Company has a \$400,000 open line of credit with a bank. The line of credit bears interest based upon the prime lending rate, which was 8.25% at December 31, 1996. The line of credit is secured by the Company's investment in securities and borrowings under such line of credit are due on demand.

6. LEASES:

In February of 1997, the Company leased its Miami facility from a Limited Partnership which is controlled by the Company's stockholder. Prior to February 1997, the Company leased office space from a third party, and such lease expired January 1997. The rent paid under this lease was approximately \$71,000 for December 31, 1996. The Company leases its Vero Beach facility from a company which is owned by the Company's stockholder and is leased on a month-to-month basis.

7. RELATED-PARTY TRANSACTIONS:

Related-Party Notes Payable

The Company has a \$483,000 subordinated long-term note payable to the president of the Company at December 31, 1995 and 1996. The Company also has a \$175,000 and \$115,000 note payable due on demand to the president of the Company.

DANIEL ELECTRICAL CONTRACTORS, INC. AND
DANIEL ELECTRICAL OF TREASURE COAST, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Related-Party Accounts Receivable

The Company has an \$8,000 account receivable due from the president of the Company at December 31, 1995 and 1996. The Company also has a \$9,000 employee receivable at December 31, 1995.

Related-Party Entertainment Expense

Costs related to related-party entertainment expense amounted to \$8,000 and \$15,000 for the years ended December 31, 1996 and 1995 respectively.

Related-Party Compensation

The Company paid \$72,000 and \$58,000 for the years ended December 31, 1996 and 1995 respectively to a related-party company for compensation.

8. EMPLOYEE BENEFIT PLAN:

The Company has a nonqualifying discriminatory pension plan for certain key executives. Contributions are subject to management's discretion. Total contributions by the Company under the plan were approximately \$9,000 and \$14,000 for the years ended December 31, 1995 and 1996, respectively.

9. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable, a line of credit, notes payable and long-term debt. The Company believes that the carrying value of these instruments on the accompanying balance sheets approximates their fair value.

10. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

Insurance

The Company carries a broad range of insurance coverage, including business auto liability, general liability and an umbrella policy. The Company has not incurred significant uninsured losses on any of these items.

The Company is self-insured for medical claims up to \$14,000 per year in total for all covered individuals. Additionally, the Company is part of the state's workers' compensation plan and is responsible for claims up to \$100,000 per accident with a maximum aggregate exposure for 24 months of \$500,000. Claims in excess of these amounts are covered by a stop-loss policy. Under the state's policy, the Company has a \$305,000 letter of credit which expires April 1, 1998. The Company has recorded reserves for its portion of self-insured claims based on estimated claims incurred through March 31, 1995 and 1996, and December 31, 1996.

11. INVESTMENTS AVAILABLE FOR SALE:

Investments in securities consist of equity securities and mutual funds with an aggregate market value of \$393,000, \$694,000 and \$858,000 at December 31, 1995 and 1996, and June 30, 1997, respectively, and unrealized holding gains of \$66,000, \$75,000 and \$126,000 for the respective periods.

DANIEL ELECTRICAL CONTRACTORS, INC. AND
DANIEL ELECTRICAL OF TREASURE COAST, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

12. MAJOR CUSTOMERS AND RISK CONCENTRATION:

The Company had sales of approximately 32 percent and 21 percent of total sales to two major customers during the year ended December 31, 1995, and sales of approximately 29 percent and 25 percent of total sales to two major customers during the year ended December 31, 1996.

In addition, the Company grants credit, generally without collateral, to its customers, which are general contractors located primarily in southern Florida. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within the southern Florida region. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

The Company routinely maintains cash balances in financial institutions in excess of federally insured limits.

13. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT (UNAUDITED):

In October 1997, the Company and its stockholders entered into a definitive agreement with Integrated Electrical Services, Inc. (IES), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of IES common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by IES. In addition, the key executives of the Company entered into employment agreements with the Company and IES which have an initial term of five years, and generally restrict the disclosure of confidential information as well as restrict competition with the Company and IES for a period of two years following termination of employment.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Summit Electric of Texas, Inc.:

We have audited the accompanying balance sheet of Summit Electric of Texas, Inc., a Texas corporation as of March 31, 1997, and the related statement of operations, cash flows and stockholder's equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Summit Electric of Texas, Inc. as of March 31, 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
October 15, 1997

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SUMMIT ELECTRIC OF TEXAS, INC.

BALANCE SHEETS
(IN THOUSANDS EXCEPT SHARE AMOUNTS)

ASSETS

	MARCH 31, 1997	JUNE 30, 1997
	-----	-----
		(UNAUDITED)
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 57	\$ 32
Accounts receivable --		
Trade, net of allowance of \$112 and \$122, respectively.....	2,270	2,582
Retainage.....	128	152
Receivable from stockholder.....	--	63
Other receivables.....	6	9
Deferred tax asset.....	69	73
Costs and estimated earnings in excess of billings on uncompleted contracts.....	239	356
Prepaid expenses and other current assets.....	25	42
	-----	-----
Total current assets.....	2,794	3,309
NOTES RECEIVABLE FROM RELATED PARTIES.....	270	269
PROPERTY AND EQUIPMENT, net.....	223	202
OTHER ASSETS.....	49	49
	-----	-----
Total assets.....	\$3,336	\$3,829
	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Short-term debt, including current maturities of long-term debt.....	\$ 819	\$ 962
Accounts payable and accrued expenses.....	974	1,368
Billings in excess of costs and estimated earnings on uncompleted contracts.....	436	384
Other current liabilities.....	3	1
	-----	-----
Total current liabilities.....	2,232	2,715
LONG-TERM DEBT, net of current maturities.....	101	101
DEFERRED TAX LIABILITY.....	11	11
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDER'S EQUITY:		
Common stock, \$1 par value, 10,000 shares authorized, 1,000 shares issued and outstanding.....	1	1
Retained earnings.....	991	1,001
	-----	-----
Total stockholder's equity.....	992	1,002
	-----	-----
Total liabilities and stockholder's equity.....	\$3,336	\$3,829
	=====	=====

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

SUMMIT ELECTRIC OF TEXAS, INC.

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED MARCH 31, 1997	THREE MONTHS ENDED JUNE 30,	
		1996	1997
		----- (UNAUDITED)	
REVENUES.....	\$10,565	\$3,136	\$3,043
COST OF SERVICES (including depreciation).....	9,157	2,637	2,605

Gross profit.....	1,408	499	438
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	1,340	330	399

Income from operations.....	68	169	39

OTHER INCOME (EXPENSE):			
Interest expense.....	(56)	(10)	(22)
Other.....	25	6	4

Other expense, net.....	(31)	(4)	(18)

INCOME BEFORE PROVISION FOR INCOME TAXES.....	37	165	21
PROVISION FOR INCOME TAXES.....	23	63	11

NET INCOME.....	\$ 14	\$ 102	\$ 10
	=====	=====	=====

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

SUMMIT ELECTRIC OF TEXAS, INC.

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED MARCH 31, 1997 -----	THREE MONTHS ENDED JUNE 30, -----	
		1996	1997
		(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 14	\$ 102	\$ 10
Adjustments to reconcile net income to net cash provided by (used in) operating activities --			
Depreciation and amortization.....	72	15	20
Provision for doubtful accounts.....	--	--	10
Changes in operating assets and liabilities --			
(Increase) decrease in --			
Accounts receivable.....	316	464	(322)
Receivable from stockholder.....	56	15	(63)
Other receivables.....	32	(32)	(27)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	(105)	(86)	(117)
Prepaid expenses and other current assets.....	(23)	31	(16)
Increase (decrease) in --			
Accounts payable and accrued expenses.....	(498)	(299)	394
Billings in excess of costs and estimated earnings on uncompleted contracts.....	48	(133)	(52)
Other, net.....	3	10	(5)
	-----	-----	-----
Net cash provided by (used in) operating activities.....	(85)	87	(168)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments on notes receivable from related parties.....	3	1	1
Additions of property and equipment.....	(191)	(30)	--
	-----	-----	-----
Net cash provided by (used in) investing activities.....	(188)	(29)	1
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings of long-term debt and notes payable.....	238	(107)	148
Payments of long-term debt.....	(19)	5	(6)
	-----	-----	-----
Net cash provided by (used in) financing activities.....	219	(102)	142
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(54)	(44)	(25)
CASH AND CASH EQUIVALENTS, beginning of period.....	111	110	57
	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$ 57	\$ 66	\$ 32
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for --			
Interest.....	\$ 56	\$ 10	\$ 22
Income taxes.....	16	16	6

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

SUMMIT ELECTRIC OF TEXAS, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	COMMON STOCK		RETAINED EARNINGS	TOTAL STOCKHOLDER'S EQUITY
	SHARES	AMOUNT		
BALANCE, March 31, 1996 (unaudited).....	1,000	\$1	\$ 977	\$ 978
Net income.....	--	--	14	14
BALANCE, March 31, 1997.....	1,000	1	991	992
Net income (unaudited).....	--	--	10	10
BALANCE, June 30, 1997 (unaudited).....	1,000	\$1	\$1,001	\$1,002
	=====	==	=====	=====

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

SUMMIT ELECTRIC OF TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Summit Electric of Texas, Inc. (the Company), a Texas corporation, focuses on providing electrical system installation and repair services primarily for mid-sized to large commercial facilities. The Company performs the majority of its contract work under fixed price contracts, with contract duration generally ranging from two to eight months. The Company performs the majority of its work primarily in Houston, Texas.

On a limited basis, the Company provides auto repair and restoration services to its sole stockholder (the Stockholder) and third parties. The revenues and cost of services related to such activities have not been removed from the Company's results of operations for the year ended March 31, 1997, as such amounts are not material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Interim Financial Information

The interim financial statements as of June 30, 1997, and for the three months ended June 30, 1996 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using an accelerated method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation expense was \$72,101 for the year ended March 31, 1997.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. 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. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income, and their effects are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

SUMMIT ELECTRIC OF TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

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

Warranty Costs

For certain contracts, the Company warrants labor for the first year after installation of new electrical systems. The Company generally warrants labor for 30 days after servicing of existing electrical systems. A reserve for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

Accounts Receivable and Provision for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer probable.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109. Under this method, deferred assets and liabilities are recorded for future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and 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. Reference is made to the "Revenue Recognition" section of this footnote and Note 11 for discussion of significant estimates reflected in the Company's financial statements.

New Accounting Pronouncement

Effective April 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. The effect of any impairment would be to expense the difference between the fair value of such property and its carrying value. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

SUMMIT ELECTRIC OF TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	MARCH 31, 1997
	-----	-----
Transportation equipment.....	5	\$ 450
Machinery and equipment.....	7	11
Computer and telephone equipment.....	5	84
Leasehold improvements.....	31.5	52
Furniture and fixtures.....	7	43

		640
Less -- Accumulated depreciation and amortization.....		(417)

Property and equipment, net.....		\$ 223
		=====

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Activity in the Company's allowance for doubtful accounts receivable consists of the following (in thousands):

	MARCH 31, 1997

Balance at beginning of period.....	\$112
Additions to costs and expenses.....	--
Deductions for uncollectible receivables written off and recoveries.....	--

Balance at end of period.....	\$112
	=====

Accounts payable and accrued expenses consist of the following (in thousands):

	MARCH 31, 1997

Accounts payable, trade.....	\$696
Other accrued expenses.....	278

	\$974
	=====

Electrical system installation contracts in progress are as follows (in thousands):

	MARCH 31, 1997

Costs incurred on contracts in progress.....	\$ 6,482
Estimated earnings, net of losses.....	2,122

	8,604
Less -- Billings to date.....	(8,801)

	\$ (197)
	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 239
Less -- Billings in excess of costs and estimated earnings on uncompleted contracts.....	(436)

Net liability.....	\$ (197)
	=====

SUMMIT ELECTRIC OF TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

5. LONG-TERM DEBT:

Long-term debt consists of the following (in thousands):

	MARCH 31, 1997 -----
Note payable to bank bearing interest at 9.15%, payable in monthly installments of principal and interest of \$2,612 through October 2001, secured by transportation equipment.....	\$117
Note payable to a financing company bearing interest at 7.9%, payable in monthly installments of principal and interest of \$557 through January 1999, secured by transportation equipment.....	11

	128
Less -- Current portion.....	(27)

Long-term debt.....	\$101 =====

The maturities of long-term debt are as follows (in thousands):

Year Ended March --	
1998.....	\$ 27
1999.....	29
2000.....	26
2001.....	28
2002.....	18

	\$128 =====

The Company has a \$1,000,000 line of credit with a bank. The line of credit expires September 30, 1997, and bears interest at 1 percent above the prime lending rate. The weighted average interest rate under this line of credit was 9.25 percent for fiscal 1997. The line of credit is secured by contracts receivable, equipment, furniture and fixtures, and the personal guarantee of the Stockholder. Outstanding borrowings under this line of credit at March 31, 1997, total \$788,142.

The bank line of credit requires the Company to maintain certain net worth and profitability covenants. At March 31, 1997, the Company was in compliance with its line-of-credit covenants, as amended.

On September 30, 1997, the Company negotiated an amendment to its existing bank line of credit (the Amended Line of Credit). The Amended Line of Credit has a \$1,500,000 borrowing base and is due October 3, 1998. The Amended Line of Credit bears interest at 1 percent above the prime lending rate.

6. LEASES:

The Company leases a facility from a company which is owned by the Company's stockholder. The lease expires on November 30, 1998. The rent paid under this related-party lease was approximately \$96,000 for the year ended March 31, 1997. The Company also leases two facilities from third parties. The rent paid under these leases was approximately \$7,144 for the year ended March 31, 1997.

SUMMIT ELECTRIC OF TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Future minimum lease payments under these noncancelable operating leases are as follows (in thousands):

Year Ended March 31 --	
1998.....	\$ 99
1999.....	66
2000.....	1
Thereafter.....	--

	\$166
	====

7. INCOME TAXES:

Federal income taxes are as follows (in thousands):

	YEAR ENDED MARCH 31, 1997 -----
Current --	
Federal.....	\$17
State.....	6

	\$23
	===

Actual income tax expense differs from income tax expense computed by applying the blended U.S. federal and state statutory corporate rate of 28 percent to income before provision for income taxes as follows (in thousands):

	YEAR ENDED MARCH 31, 1997 -----
Provision at the statutory rate.....	\$10
Increase resulting from --	
Permanent differences, mainly meals and entertainment....	9
State income tax, net of benefit for federal deduction....	4

	\$23
	===

Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effects of these temporary differences, representing deferred tax assets and liabilities result principally from the following (in thousands):

	MARCH 31, 1997 -----
Allowance for doubtful accounts.....	\$40
Warranty and contract allowances.....	29
Bases difference on property and equipment.....	(15)

Deferred tax assets.....	\$54
	===

SUMMIT ELECTRIC OF TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The net deferred tax assets and liabilities are comprised of the following (in thousands):

	MARCH 31, 1997

Deferred tax assets --	
Current.....	\$ 69
Long-term.....	--

Deferred tax assets.....	\$ 69
	====
Deferred tax liabilities --	
Current.....	\$ (4)
Long-term.....	(11)

Deferred tax liability.....	(15)
	====
Net deferred tax assets.....	\$ 54
	====

8. RELATED-PARTY TRANSACTIONS:

Notes receivable from related parties consist of the following (in thousands):

	MARCH 31, 1997

Note receivable from the Stockholder, bearing an interest rate of 7.07%, requiring monthly payments of interest, maturing November 1998.....	\$250
Note receivable from the spouse of the Stockholder, bearing an interest rate of 8%, requiring monthly installments of principal and interest of \$480, maturing April 2001.....	20

	\$270
	====

The Company provides auto repair and restoration services to the Stockholder. During fiscal 1997, the Stockholder reimbursed the Company \$81,161 for such services.

9. EMPLOYEE BENEFIT PLAN:

The Company adopted a 401(k) savings and investment plan approved by the Internal Revenue Service effective January 1, 1996, covering all eligible Company employees. Contributions may be made to the plan by an employee at a percentage of salary but cannot exceed the maximum allowed by the Internal Revenue Code and may be matched by a discretionary Company contribution.

The Company's contributions to the plan for the year ended March 31, 1997, totaled \$24,747.

10. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, and short and long-term debt. The Company believes that the carrying values of these instruments on the accompanying balance sheets approximate their fair values.

SUMMIT ELECTRIC OF TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

11. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

Insurance

The Company carries a broad range of insurance coverage, including business auto liability, general liability, workers' compensation and an umbrella policy. The Company has not incurred significant uninsured losses on any of these items.

12. MAJOR CUSTOMERS AND RISK CONCENTRATION:

For the year ended March 31, 1997, revenues from no one individual customer exceeded 10 percent of total revenues.

In addition, the Company grants credit, generally without collateral, to its customers, which are primarily general contractors located in Houston, Texas. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within Houston, Texas. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

13. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT (UNAUDITED):

In October 1997, the Company and its stockholders entered into a definitive agreement with Integrated Electrical Services, Inc. (IES), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of IES common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by IES. In addition, the key executives of the Company entered into employment agreements with the Company and IES which have an initial term of five years, and generally restrict the disclosure of confidential information as well as restrict competition with the Company and IES for a period of two years following termination of employment.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Thurman & O'Connell Corporation:

We have audited the accompanying balance sheets of Thurman & O'Connell Corporation, a Kentucky corporation, as of December 31, 1995 and 1996, and the related statements of operations, cash flows and stockholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thurman & O'Connell Corporation as of December 31, 1995 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
October 15, 1997

THURMAN & O'CONNELL CORPORATION
BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

ASSETS

	DECEMBER 31,		JUNE 30,
	1995	1996	1997
	-----	-----	-----
			(UNAUDITED)
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 860	\$1,488	\$1,480
Accounts receivable --			
Trade, net of allowance of \$37, \$10 and \$14, respectively.....	1,078	315	367
Retainage.....	348	78	181
Other receivables.....	12	17	5
Inventories.....	1,072	273	178
Costs and estimated earnings in excess of billings on uncompleted contracts.....	--	22	22
Prepaid expenses and other current assets.....	4	13	7
	-----	-----	-----
Total current assets.....	3,374	2,206	2,240
PROPERTY AND EQUIPMENT, net.....	342	306	317
	-----	-----	-----
Total assets.....	\$3,716	\$2,512	\$2,557
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term debt.....	\$ 13	\$ 6	\$ 6
Accounts payable and accrued expenses.....	663	242	278
Dividends payable to stockholders.....	160	200	--
Billings in excess of costs and estimated earnings on uncompleted contracts.....	1,652	479	583
	-----	-----	-----
Total current liabilities.....	2,488	927	867
LONG-TERM DEBT, net of current maturities.....	96	93	90
STOCKHOLDERS' EQUITY:			
Common stock, no par value, 2,000 shares authorized, 200 shares issued and outstanding.....	300	300	300
Retained earnings.....	832	1,192	1,300
	-----	-----	-----
Total stockholders' equity.....	1,132	1,492	1,600
	-----	-----	-----
Total liabilities and stockholders' equity.....	\$3,716	\$2,512	\$2,557
	=====	=====	=====

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

THURMAN & O'CONNELL CORPORATION

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
			(UNAUDITED)	
REVENUES.....	\$4,729	\$4,551	\$2,842	\$2,254
COST OF SERVICES.....	3,309	3,059	1,973	1,073
Gross profit.....	1,420	1,492	869	1,181
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	512	503	239	271
Income from operations.....	908	989	630	910
OTHER INCOME (EXPENSE):				
Interest expense.....	(13)	(8)	(5)	(4)
Other.....	36	65	28	34
Other income (expense), net.....	23	57	23	30
INCOME BEFORE INCOME TAX EXPENSE.....	931	1,046	653	940
INCOME TAX EXPENSE.....	19	36	17	32
NET INCOME.....	\$ 912	\$1,010	\$ 636	\$ 908

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

THURMAN & O'CONNELL CORPORATION

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
			(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income.....	\$ 912	\$ 1,010	\$ 636	\$ 908
Adjustments to reconcile net income to net cash provided by operating activities --				
Depreciation and amortization.....	53	49	25	25
Provision to (reduction in) allowance for doubtful accounts.....	13	10	(15)	4
Loss (gain) on sale of property and equipment.....	(1)	--	--	1
Changes in operating assets and liabilities -- (Increase) decrease in --				
Receivables.....	(506)	1,018	605	(147)
Inventories.....	(405)	799	634	95
Costs and estimated earnings in excess of billings on uncompleted contracts.....	68	(22)	(8)	--
Prepaid expenses and other current assets.....	25	(9)	(2)	6
Increase (decrease) in --				
Accounts payable and accrued expenses.....	(1)	(421)	(277)	(164)
Billings in excess of costs and estimated earnings on uncompleted contracts.....	916	(1,173)	(636)	104
Net cash provided by operating activities.....	1,074	1,261	962	832
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of property and equipment.....	1	--	--	19
Additions of property and equipment.....	(42)	(13)	(2)	(56)
Net cash used in investing activities.....	(41)	(13)	(2)	(37)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings of long-term debt.....	--	103	103	--
Payments of long-term debt.....	(63)	(113)	(109)	(3)
Distributions to stockholders.....	(620)	(610)	(460)	(800)
Net cash used in financing activities.....	(683)	(620)	(466)	(803)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	350	628	494	(8)
CASH AND CASH EQUIVALENTS, beginning of period.....	510	860	860	1,488
CASH AND CASH EQUIVALENTS, end of period.....	\$ 860	\$ 1,488	\$1,354	\$1,480
	=====	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for --				
Interest.....	\$ 10	\$ 8	\$ 8	\$ 7
Taxes.....	\$ 6	\$ 26	\$ 8	\$ 15

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

THURMAN & O'CONNELL CORPORATION
 STATEMENTS OF STOCKHOLDERS' EQUITY
 (IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT		
BALANCE, December 31, 1994.....	200	\$300	\$ 580	\$ 880
Distributions to stockholders.....	--	--	(660)	(660)
Net income.....	--	--	912	912
BALANCE, December 31, 1995.....	200	300	832	1,132
Distributions to stockholders.....	--	--	(650)	(650)
Net income.....	--	--	1,010	1,010
BALANCE, December 31, 1996.....	200	300	1,192	1,492
Distributions to stockholders (unaudited).....	--	--	(800)	(800)
Net income (unaudited).....	--	--	908	908
BALANCE, June 30, 1997 (unaudited).....	200	\$300	\$1,300	\$1,600
	===	====	=====	=====

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

THURMAN & O'CONNELL CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Thurman & O'Connell Corp. (the Company), a Kentucky corporation, focuses on providing electrical system installation and repair services primarily to large commercial facilities. The Company performs the majority of its contract work under fixed price contracts, with contract terms generally ranging from 12 to 24 months. The Company performs the majority of its work in Kentucky.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Interim Financial Information

The interim financial statements as of June 30, 1997, and for the six months ended June 30, 1996 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its principal cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000.

Inventories

Inventories consist of parts and supplies held for use in the ordinary course of business and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense was approximately \$53,000 and \$49,000 for the years ended December 31, 1995 and 1996, respectively.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. 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. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined.

THURMAN & O'CONNELL CORPORATION

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

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

Warranty Costs

For certain contracts, the Company warrants labor for the first year after installation of new electrical systems. The Company generally warrants labor for 30 days after servicing of existing electrical systems.

Income Taxes

The stockholders of the Company have elected S Corporation status as defined by the Internal Revenue Code, whereby the Company itself is not subject to taxation for federal purposes. Under S Corporation status, the stockholders report their share of the Company's taxable earnings or losses in their personal tax returns. The provision for income taxes in the accompanying financial statements relates to income and other taxes incurred by the Company in those localities that do not permit the Company to report its net income with that of its stockholders (S Corporation treatment). The Company intends to terminate its S Corporation status concurrently with the effective date of the Offering (as defined in Note 13).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Reference is made to the "Revenue Recognition" section of this footnote for discussion of significant estimates reflected in the Company's financial statements.

New Accounting Pronouncement

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. The effect of any impairment would be to expense the difference between the fair value of such property and its carrying value. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

THURMAN & O'CONNELL CORPORATION

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment, at cost, consists of the following (in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31,	
		1995	1996
Land.....	--	\$ 25	\$ 25
Building.....	30	206	206
Machinery and equipment.....	7	39	39
Transportation equipment.....	5	239	241
Computer and telephone equipment.....	7	19	24
Furniture and fixtures.....	7	20	23
		548	558
Less -- Accumulated depreciation and amortization.....		(206)	(252)
		\$ 342	\$ 306
		=====	=====

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Activity in the Company's allowance for doubtful accounts receivable consists of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Balance at beginning of period.....	\$24	\$ 37
Additions to costs and expenses.....	13	10
Deductions for uncollectible receivables written off and recoveries.....	--	(37)
Balance at end of period.....	\$37	\$ 10
	===	====

Accounts payable and accrued expenses consist of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	\$516	\$130
Accrued compensation and benefits.....	50	60
Accrued cost overruns.....	78	21
Accrued warranty costs.....	10	10
Other accrued expenses.....	9	21
	\$663	\$242
	=====	=====

THURMAN & O'CONNELL CORPORATION

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Electrical system installation contracts in progress are as follows (in thousands):

	DECEMBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	\$ 2,159	\$ 623
Estimated earnings, net of losses.....	721	229
	2,880	852
Less -- Billings to date.....	(4,532)	(1,309)
	<u>\$(1,652)</u>	<u>\$ (457)</u>
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ --	\$ 22
Less -- Billings in excess of costs and estimated earnings on uncompleted contracts.....	(1,652)	(479)
	<u>\$(1,652)</u>	<u>\$ (457)</u>

5. LONG-TERM DEBT:

During 1996, the Company refinanced the note payable to a bank which was in place at December 31, 1995, with a variable rate note payable. The note is payable in monthly principal and interest payments of \$1,051 through October 2004, at which time any unpaid principal and interest is due. The note is collateralized by a cash account at the bank, and the Company has agreed not to pay dividends in excess of the Company's net income for any fiscal year. Interest is based upon a variable rate of 1% above the rate being offered on the sweep account (6% as of December 31, 1996).

At December 31, 1995, the Company had a note payable to a bank which required monthly principal payments of \$1,051 plus interest at the prime rate (8.25% at December 31, 1995) through July 2008. Under the agreement, the Company agreed not to pay dividends in excess of the Company's net income for the year. The note was collateralized by the Company's land and building.

The approximate aggregate maturities of long-term debt as of December 31, 1996, are as follows (in thousands):

YEAR ENDING DECEMBER 31 --

1997.....	\$ 6
1998.....	7
1999.....	8
2000.....	8
2001.....	9
Thereafter.....	61

	<u>\$99</u>
	===

The Company has a \$1,000,000 line of credit with a bank. The line of credit expires in April 1998 and bears interest at the prime lending rate. All receivables are pledged as collateral under the agreement, and the Company has agreed not to pay dividends in excess of net income for the year and to maintain its deposit accounts with the bank. There were no borrowings under this agreement at December 31, 1996. In 1995, the Company had a \$500,000 unsecured line of credit at prime with a bank, which expired in April 1996. There were no borrowings under this agreement during 1995 or 1996.

THURMAN & O'CONNELL CORPORATION

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

6. RELATED-PARTY TRANSACTIONS:

The Company earned revenue for electrical contracting services from companies owned by a stockholder of approximately \$47,000 and \$40,000 as of December 31, 1995 and 1996, respectively, with approximately \$1,000 and \$2,000 of the revenue being recorded as receivables at the respective balance sheet dates. In addition, the Company has a receivable from another stockholder in the amount of approximately \$1,000 and \$2,000 as of December 31, 1995 and 1996, respectively, related to travel expense advances.

7. EMPLOYEE BENEFIT PLAN:

During 1995, the Company adopted a defined contribution 401(k) savings plan covering employees meeting certain minimum service and age requirements, as defined. The plan provides for discretionary contributions on the part of the Company. For the years ended December 31, 1995 and 1996, the Company elected to match 100% of the first 2 percent contributed by each employee. The contributions paid by the Company totaled approximately \$9,000 and \$12,000 for the years ended December 31, 1995 and 1996, respectively.

8. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, a line of credit, and long-term debt. The Company believes that the carrying value of these instruments on the accompanying balance sheets approximates their fair value.

9. STOCKHOLDERS' AGREEMENT:

The Company has a first right of refusal on any stock voluntarily offered for sale by a stockholder subject to certain terms and conditions. The redemption price shall be as determined by the stockholders on an annual basis or by formula which is contained in the agreement if a value has not been established by the stockholders. Such redemption price is payable in not more than 10 equal quarterly installments with interest at the prime rate. As of December 31, 1996, the redemption price was determined to be \$5.141 per share.

Upon the death of any stockholder, the Company shall redeem the stock held by such stockholder provided that the redemption is requested in writing by the personal representative of the deceased stockholder within two months of the appointment of such representative or the Company elects to redeem such stock within the same two-month period. The redemption price pursuant to this paragraph is the same as described above. Such redemption price may be paid in full at the closing or in installments, the down payment being the greater of one-fifth of redemption price or any life insurance proceeds received by the Company resulting from the death of the stockholder with the balance payable in quarterly installments over not more than five years with interest at the prime rate. Coverage under the key-man term life insurance purchased by the Company totaled \$1,000,000 as of December 31, 1996.

10. DIVIDENDS:

As long as the election made by the stockholders to report the operations of the Company on their individual federal and state income tax returns remains in effect, the board of directors of the Company is required to declare a dividend, subsequent to the close of the Company's tax year and prior to the date when payment of individual income taxes is required, to provide the stockholders sufficient cash to pay any applicable individual income taxes resulting from the inclusion of the Company's taxable income on their individual income tax returns. In addition, at the discretion of the Company's board of directors, an additional minimum dividend shall be authorized which, when combined with the dividend required to meet the tax obligations of the shareholders, shall equal not less than 50 percent of the net pretax income of the Company.

THURMAN & O'CONNELL CORPORATION

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

11. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is not currently involved in any significant disputes or legal actions, however, such actions could arise in the ordinary course of business.

Insurance

The Company carries a broad range of insurance coverage, including business auto liability, general liability and an umbrella policy. The Company has not incurred significant uninsured losses on any of these items.

12. MAJOR CUSTOMERS AND RISK CONCENTRATION:

The Company had sales of approximately 25, 18, 12, 12 and 11 percent of total sales to five major customers during 1995 and sales of approximately 48, 11 and 10 percent of total sales to three major customers during 1996.

In addition, the Company grants credit, generally without collateral, to its customers, which are general contractors in the commercial and industrial construction markets in Kentucky. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within the commercial and industrial construction markets in this state. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

13. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT (UNAUDITED):

In October 1997, the Company and its stockholders entered into a definitive agreement with Integrated Electrical Services, Inc. (IES), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of IES common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by IES. In addition, the key executives of the Company entered into employment agreements with the Company and IES which have an initial term of five years, and generally restrict the disclosure of confidential information as well as restrict competition with the Company and IES for a period of two years following termination of employment.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE COMMON STOCK IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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 UNTIL , 1997 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

=====

7,000,000 SHARES

INTEGRATED ELECTRICAL
 SERVICES, INC.

[LOGO]

COMMON STOCK

PROSPECTUS

MERRILL LYNCH & CO.

DONALDSON, LUFKIN & JENRETTE
 SECURITIES CORPORATION

EQUITABLE SECURITIES CORPORATION

SANDERS MORRIS MUNDY
 , 1997

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION(A)

SEC Registration Fee.....	\$36,591
NASD Filing Fee.....	12,575
Listing Fee.....	*
Accounting Fees and Expenses.....	*
Legal Fees and Expenses.....	*
Printing Expenses.....	*
Transfer Agent's Fees.....	*
Miscellaneous	

Total.....	\$ *
	=====

- - - - -

(a) The amounts set forth above, except for the SEC and NASD fees, are in each case estimated.

* To be completed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Subsection (a) of section 145 of the General Corporation Law of the State of Delaware empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Subsection (b) of Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been made to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 145 further provides that to the extent a director or officer of a corporation has been successful on the merits or otherwise in the defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145 in the defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith; that indemnification provided for by Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; that indemnification provided for by Section 145 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of such person's heirs, executors and administrators; and empowers the

corporation to purchase and maintain insurance on behalf of a director or officer of the corporation against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such whether or not the corporation would have the power to indemnify him against such liabilities under Section 145.

Section 102(b)(7) of the General Corporation Law of the State of Delaware provides that a certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit.

Article Eighth of the Company's Amended and Restated Certificate of Incorporation states that:

No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty by such director as a director; provided, however, that this Article Eighth shall not eliminate or limit the liability of a director to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Eighth shall apply to, or have any effect on, the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

In addition, Article VI of the Company's Bylaws further provides that the Company shall indemnify its officers, directors and employees to the fullest extent permitted by law.

The Company intends to enter into indemnification agreements with each of its executive officers and directors.

Under Section of the Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement, the Underwriters have agreed to indemnify, under certain conditions, the Company, its officers and directors, and persons who control the Company within the meaning of the Securities Act of 1933, as amended, against certain liabilities.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Set forth below is certain information concerning all sales of securities by the Company during the past three years that were not registered under the Securities Act of 1933. The description presented below gives effect to the Company's recent 2,329.6-for-one stock split effected in October, 1997.

(a) On June 26, 1997, the Company issued 2,329,600 shares of its Common Stock at an aggregate price of \$1,000 to C. Byron Snyder, the Snyder Children's Trust and D. Merrill Cummings.

(b) On September 5, 1997, the Company issued 1,672,711 shares of its Common Stock to C. Byron Snyder, the Snyder Children's Trust, and to certain executive officers and key employees at an aggregate price of \$718.

(c) On September 15, 1997, the Company issued 50,000 shares of its Common Stock to certain executive officers and key employees at an aggregate price of \$21.

(d) See "Certain Transactions" for a discussion of the issuance of shares of Common Stock in connection with the Acquisitions.

These transactions were completed without registration under the Securities Act of 1933 in reliance on the exemption provided by Section 4(2) of the Securities Act of 1933.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

EXHIBIT

- *1.1 -- Form of Underwriting Agreement.
- 2.1 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Ace Electric, Inc., and all of the Stockholders of Ace Electric, Inc.
- 2.2 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Amber Electric, Inc., and all of the Stockholders of Amber Electric, Inc.
- 2.3 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., BW Consolidated, Inc., all of the Stockholders of BW Consolidated, Inc., Bexar Electric Company, Ltd., Calhoun Electric Company, Ltd. and the Employment Partners of such partnerships.
- 2.4 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Daniel Electrical Contractors, Inc., Daniel Electrical of Treasure Coast, Inc. and all of the Stockholders of Daniel Electrical Contractors, Inc. and Daniel Electrical of Treasure Coast, Inc.
- 2.5 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Stark Investments, Inc., and all of the Stockholders of Stark Investments, Inc.
- 2.6 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Hatfield Electric, Inc., and all of the Stockholders of Hatfield Electric, Inc.
- 2.7 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., General Partner, Inc., Charles P. Bagby Company, Inc. and all of the Stockholders of General Partner, Inc., Charles P. Bagby Company, Inc.
- 2.8 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Houston-Stafford Electric, Inc., and all of the Stockholders of Houston-Stafford Electric, Inc.
- 2.9 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Mills Electrical Contractors, Inc., and all of the Stockholders of Mills Electrical Contractors, Inc.
- 2.10 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Muth Electric, Inc., and all of the Stockholders of Muth Electric, Inc.
- 2.11 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Pollock Electric Inc., and all of the Stockholders of Pollock Electric Inc.
- 2.12 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Thomas Popp & Company and all of the Stockholders of Thomas Popp & Company.
- 2.13 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Reynolds Electric Corp., and all of the Stockholders of Reynolds Electric Corp.
- 2.14 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Rodgers Electric Company, Inc., and all of the Stockholders of Rodgers Electric Company, Inc.
- 2.15 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Summit Electric of Texas, Incorporated, and all of the Stockholders of Summit Electric of Texas, Incorporated.

- 2.16 -- Stock Purchase Agreement dated as of October 21, 1997 by and among Integrated Electrical Services, Inc., Thurman & O'Connell Corporation, and all of the Stockholders of Thurman & O'Connell Corporation.
- *3.1 -- Amended and Restated Certificate of Incorporation.
- *3.2 -- Bylaws.
- *4.1 -- Specimen Common Stock Certificate.
- *5.1 -- Opinion of Andrews & Kurth L.L.P. as to the legality of the securities being registered.
- *10.1 -- Form of Employment and Non-Competition Agreement.
- *10.2 -- Form of Officer and Director Indemnification Agreement.
- *10.3 -- Integrated Electrical Services, Inc. 1997 Stock Option and Incentive Plan.
- *10.4 -- Non-employee Director Stock Option Plan.
- *23.1 -- Consent of Andrews & Kurth L.L.P. (included in Exhibit 5.1).
- 23.2 -- Consent of Arthur Andersen LLP.
- 24.1 -- Powers of Attorney (included in signature page set forth on page II-5).
- 27 -- Financial Data Schedule.
- 99.1 -- Consents of Directors to serve.

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* To be filed by amendment.

(b) Financial statement schedules

None.

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes:

(1) That for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) That for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To provide to the Underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON OCTOBER 24, 1997.

Integrated Electrical Services, Inc.

By: /s/ C. BYRON SNYDER

C. Byron Snyder
President and Chairman
of the Board of Directors

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints C. Byron Snyder and Jim P. Wise, and each of them, his true and lawful attorneys-in-fact and agents with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and any subsequent registration statements filed by the Registrant pursuant to Rule 462(b) of the Securities Act of 1933, which relates to this Registration Statement, and to file same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or their substitutes, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES INDICATED ON OCTOBER 24, 1997.

SIGNATURE

TITLE

/s/ C. BYRON SNYDER

President and Chairman of the
Board of Directors
(Principal Executive
Officer)

C. Byron Snyder

/s/ JIM P. WISE

Senior Vice President and
Chief Financial Officer
(Principal Financial
Officer)

Jim P. Wise

/s/ J. PAUL WITHROW

Vice President and Chief
Accounting Officer
(Principal Accounting
Officer)

J. Paul Withrow

INDEX TO EXHIBITS

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- 23.2 -- Consent of Arthur Andersen LLP.
- 24.1 -- Powers of Attorney (included in signature page set forth on page II-5).
- 27 -- Financial Data Schedule.
- 99.1 -- Consents of Directors to serve.

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* To be filed by amendment.

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

ACE ELECTRIC, INC.

and

all of the STOCKHOLDERS of ACE ELECTRIC, INC.

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18.5	Brokers and Agents

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), ACE ELECTRIC, INC., a Georgia corporation (the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Georgia.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY
AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of December 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended December 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the six-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods

then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

(i) a summary description of the liability together with the following:

- (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
- (b) amounts claimed and any other action or relief sought; and (c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending;

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only; and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended December 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

(b) The Stockholders made a valid election under the provisions of Subchapter S of the Code and the Company has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The Stockholders shall pay, and they hereby indemnify IES and the Company against, all income taxes payable with respect to the Company's operations for all periods through and including the Consummation Date.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any

of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

- (i) any Material Adverse Change in the Company;
- (ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;
- (iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;
- (iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,
- (v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;
- (vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;
- (vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;
- (viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;
- (ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;
- (x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the Company has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES. IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened

against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii)

any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;

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

(ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to

a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS.

All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION.

All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION.

No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL.

The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT.

The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS.

All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS.

IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

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

(ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;

(iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or

(iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Wade Coleman
Coleman, Talley & Newbern
P.O. Box 5437
Valdosta, Georgia 31603

(c) If to the Company, addressed to it at:

Ace Electric, Inc.
313 Janet Drive
Valdosta, Georgia 31602

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President and
Chief Financial Officer

[Remainder of page intentionally left blank]

ACE ELECTRIC, INC.

By: /s/

Name:

Title:

/s/ ROBERT STALVEY

Robert Stalvey Shares Owned: 7,150
5219 New Bethel Road
Valdosta, Georgia 31605

/s/ THOMAS STALVEY

Thomas Stalvey Shares Owned: 7,150
7008 Franklinville Road
Valdosta, Georgia 31605

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND ACE ELECTRIC, INC.
AND ITS STOCKHOLDERS

CONSIDERATION TO BE PAID TO THE STOCKHOLDERS

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDERS:

\$3,566,388 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 191,056 shares of IES common stock and \$891,597 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDERS:

Stockholder -----	Number of Company Shares Owned -----	Shares of IES Common Stock(1) -----	Cash -----
Robert Stalvey	7,150	95,528	\$445,799
Thomas Stalvey	7,150	95,528	445,799
	-----	-----	-----
	14,300	191,056	\$891,597
	=====	=====	=====
 MINIMUM VALUE:	 2,917,953		

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash
Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

AMBER ELECTRIC, INC.

and

all of the STOCKHOLDERS of AMBER ELECTRIC, INC.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), AMBER ELECTRIC, INC., a Florida corporation (the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Florida.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY
AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the
Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of December 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended December 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the six-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods

then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

- (i) a summary description of the liability together with the following:
 - (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
 - (b) amounts claimed and any other action or relief sought; and
 - (c) name of claimant and all other parties to the claim, suit or proceeding;
- (ii) the name of each court or agency before which such claim, suit or proceeding is pending;
- (iii) the date such claim, suit or proceeding was instituted; and
- (iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only; and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended December 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the

Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

(i) any Material Adverse Change in the Company;

(ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;

(iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

- (i) the name of each financial institution in which the Company has accounts or safe deposit boxes;
- (ii) the names in which the accounts or boxes are held;
- (iii) the type of account and account number; and
- (iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not

apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties

set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING.

Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES.

IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS.

The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS.

Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION.

Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material

which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;
- (viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices; and
- (ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement

to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the

Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL. The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS.

IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax- free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

- (i) by mutual consent of the boards of directors of IES and the Company;
- (ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;
- (iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or
- (iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration

statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Greg Humphreys
Shultz & Bowen
20 N. Orange Avenue
Suite 1000
Orlando, Florida 32801-4626

(c) If to the Company, addressed to it at:

Amber Electric, Inc.
630 Kissimmee Avenue
P.O. Box 737
Ocoee, Florida 34761

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President and
Chief Financial Officer

[Remainder of page intentionally left blank]

AMBER ELECTRIC, INC.

By: /s/

Name: -----

Title: -----

/s/ DANNIEL J. PETRO

Danniel J. Petro Shares Owned: 561
Family Trust
Box 737
Ocoee, Florida 34761

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND AMBER ELECTRIC, INC.
AND ITS STOCKHOLDER

CONSIDERATION TO BE PAID TO THE STOCKHOLDER

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDER:

\$9,944,261 in cash and the value of outstanding common Stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 532,728 shares of IES common stock and \$2,486,065 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDER:

Stockholder	Number of Company Shares Owned	Shares of IES Common Stock(1)	Cash
Danniel J. Petro Family	561	532,728	\$2,486,065
	-----	-----	-----
	561	532,728	\$2,486,065
	=====	=====	=====
MINIMUM VALUE	8,136,216		

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash

Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

BW CONSOLIDATED, INC.

all of the STOCKHOLDERS named herein

BEXAR ELECTRIC COMPANY, LTD.,
CALHOUN ELECTRIC COMPANY, LTD.

and

the EMPLOYEE PARTNERS named herein

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5.25	Absence of Changes
5.26	Deposit Accounts; Powers of Attorney
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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), BW CONSOLIDATED, INC., a Nevada corporation (the "Company" and where necessary or appropriate as the context requires, Company shall refer to the Company and its Subsidiaries); Bob Weik, The Katherine Ann Mabry Trust of 1996 and The Lori Diane Weik Trust of 1996, which are all the stockholders of the Company; Bexar Electric Company, Ltd., a Texas limited partnership and Calhoun Electric Company, Ltd., a Texas limited partnership (collectively, the "Partnership"); and James C. Foster, Carl Johnston, Clifton Engel, Wayne Zwicke, Bobby Neuse, Billy Hill, Alfredo Perez, Albert Bloch, Jr., Jerald Jarzobek, Robert Hufnagel, Doug Burg, Wesley Johnson, Melvin Starr, Randy Belken, Charlie Luensman, Brian Marr, Aubrey Steffen, and Dennis Nollkamper (together with Bob Weik, The Katherine Ann Mabry Trust of 1996 and The Lori Diane Weik Trust of 1996, the "Stockholders").

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders and the Employee Partners own, and as of the Consummation Date the Stockholders and the Employee Partners will own, all of the issued and outstanding capital stock of the Company and all of the interests in BW/CEC, BW/BEC and the Partnership (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, the Employee Partners, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders, the Employee Partners, and the stockholders of each of the other Founding Companies will transfer their respective membership interests in BW/BEC and BW/CEC, their partnership interests in the Partnership, or the capital stock of each of the Founding Companies to IES and the Stockholders, the Employee Partners, and the stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Employee Partners" has the meaning set forth on the signature pages hereto.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

BW Consolidated, Inc., a Nevada corporation (together with its subsidiaries Bexar Electric Company, Ltd., a Texas limited partnership, and Calhoun Electric Company, Ltd., a Texas limited partnership);

Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;

Hatfield Electric, Inc., an Arizona corporation;

Haymaker Electric, Ltd., an Alabama limited partnership;

Houston-Stafford Electric, Inc., a Texas corporation;

Mills Electrical Contractors, Inc., a Texas corporation;

Muth Electric, Inc., a South Dakota corporation;

Pollock Electric Inc., a Texas corporation;

Thomas Popp & Company, an Ohio corporation;

Reynolds Electric Corp., an Arizona corporation;

Rodgers Electric Company, Inc., a Washington corporation;

Stark Investments, Inc., a Texas corporation;

Summit Electric of Texas, Incorporated, a Texas corporation; and

Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Nevada.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders and the Employee Partners shall sell to IES and IES shall purchase from the Stockholders and the Employee Partners, all of the issued and outstanding shares of capital stock of the Company and all of their respective interests in BW/CEC, BW/BEC and the Partnership as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

3.3 INTEREST TRANSFERS AND CONSENTS. At or prior to the Pricing, each of the Employee Partners shall deliver executed transfer and assignments ("Transfers and Assignments"), attached hereto at Schedule 3.3 and pursuant to which each such Employee Partner transfers all of its interest in Partnership to IES effective as of the Consummation Date. At or prior to the Pricing, Bob Weik shall deliver executed transfers and assignments (also "Transfers and Assignments"), attached hereto at Schedule 3.3 and pursuant to which Bob Weik transfers all of his interest in both BW/CEC and BW/BEC to IES on or effective as of the Consummation Date. At or prior to the Pricing, each of the Employee Partners shall deliver executed consents ("Consents"), attached hereto at Schedule 3.3 and pursuant to which the necessary partners of Partnership consent to the transfer of such Employee Partner's interest in the Partnership to and substitution as a partner of IES, to IES on or effective as of the Consummation Date. At or prior to the Pricing, Bob Weik shall deliver executed consents (also "Consents"), attached hereto at Schedule 3.3 and pursuant to which the necessary members of each of BW/CEC and BW/BEC consent to the transfer of Bob Weik's interests in BW/CEC and BW/BEC to and substitution as a member of IES, to IES on or effective as of the Consummation Date.

3.4 DELIVERY OF CONSIDERATION. On the Consummation Date, each Employee Partner and Bob Weik shall, upon delivery of the Transfer and Assignment, and Consent referred to in Section 3.3 hereof with respect to such person's interest in the Partnership, BW/CEC or BW/BEC, as appropriate, receive the respective number of shares of IES Stock

and the amount of cash described in Annex I hereto, said cash to be payable by certified check or wire transfer.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock and the Transfers and Assignments and Consents shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to

purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of December 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended December 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the six-month periods

ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

- (i) a summary description of the liability together with the following:
 - (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
 - (b) amounts claimed and any other action or relief sought; and
 - (c) name of claimant and all other parties to the claim, suit or proceeding;
- (ii) the name of each court or agency before which such claim, suit or proceeding is pending;
- (iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or

liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence,

nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options

to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only; and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material

respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company,

at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended December 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

(b) The Stockholders made a valid election under the provisions of Subchapter S of the Code effective for the predecessor of the Company as of January 1, 1996. Prior to such date, the Company's predecessor in interest was taxed under the provisions of Subchapter C of the Code. The Stockholders shall pay, and they hereby indemnify IES and the Company against, all income taxes payable with respect to the Company's operations for all periods through and including the Consummation Date.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document.

Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the

Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the

Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a

registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

(i) any Material Adverse Change in the Company;

(ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;

(iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the Company has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been

or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock or interests in BW/BEC, BW/CEC and the Partnership identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock, interests in the Partnership or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1 or Section 3.3.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES. IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the

effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules thereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will

furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

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

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

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

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

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

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

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

(ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested

in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether

the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the

Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section

8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS.

All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION. All actions, proceedings, instruments and

documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any

other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL. The Company shall have received an

opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have

been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company or interests in BW/CEC, BW/BEC or the Partnership for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any

Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability,

and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification

Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock or interests in BW/CEC, BW/BEC or the Partnership. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

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

(ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;

(iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set

forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or

(iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders (excluding the Employee Partners listed on Schedule 13.1 hereto who have previously executed agreements which contain covenants not to compete) will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

(iv) call upon any prospective acquisition candidate, on any Stockholder's own behalf or on behalf of any competitor in the electrical contracting business, which candidate, to the actual knowledge of such Stockholder after due inquiry, was called upon by IES or any subsidiary thereof or for which, to the actual knowledge of such

Stockholder after due inquiry, IES or any subsidiary thereof made an acquisition analysis, for the purpose of acquiring such entity; or

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach

of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law,

provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF WITHOUT THE WRITTEN CONSENT OF IES, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY

ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO [THE SECOND ANNIVERSARY OF CLOSING DATE]. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

- (i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

- (ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;
- (iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;
- (iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;
- (v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;
- (vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;
- (vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;
- (viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent

corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow

agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more

than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

W. Kirk Baker
Oppenheimer, Blend, Harrison & Tate, Inc.
711 Navarro, Suite 600
San Antonio, Texas 78205

(c) If to the Company, addressed to it at:

Bexar Electric Company, Ltd.
Attn: Bob Weik
2014 West Avenue
San Antonio, Texas 78201

W. Kirk Baker
Oppenheimer, Blend, Harrison & Tate, Inc.
711 Navarro, Suite 600
San Antonio, Texas 78205

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Purchase Agreement effective as of the date and year first above written.

COMPANY:
BW CONSOLIDATED, INC.

By: /s/

Bob Weik, President

STOCKHOLDERS:

/s/

Bob Weik

SPOUSES:

/s/

(Signature)

THE KATHERINE ANN MABRY TRUST
OF 1996,
Katherine Ann Mabry BW Consolidated "S"
Trust

(Print Name)

By: /s/

Katherine Ann Mabry, trustee

THE LORI DIANE WEIK TRUST OF 1996,
Lori Diane Weik BW Consolidated "S" Trust

By: /s/

Lori Diane Weik, trustee

PARTNERSHIPS;
BEXAR ELECTRIC COMPANY, LTD.
By: BW/BEC, Inc., its general partner

By: /s/

Bob Weik, President

CALHOUN ELECTRIC COMPANY, LTD.

By: BW/CEC, Inc., its general partner

By: /s/

Bob Weik, President

EMPLOYEE PARTNERS:

SPOUSES:

/s/

Carl Johnston

/s/

(Signature)

(Print Name)

/s/

Clifton Engel

/s/

(Signature)

(Print Name)

/s/

Wayne Zwicke

/s/

(Signature)

(Print Name)

/s/

Bobby Neuse

/s/

(Signature)

(Print Name)

/s/

Billy Hill

/s/

(Signature)

/s/

Alfredo Perez

/s/

(Signature)

(Print Name)

/s/

Albert Bloch, Jr.

/s/

(Signature)

(Print Name)

/s/

Jerald Jarzombek

/s/

(Signature)

(Print Name)

/s/

Robert Hufnagl

/s/

(Signature)

(Print Name)

/s/

Doug Burg

/s/

(Signature)

(Print Name)

/s/

Wesley Johnson

/s/

(Signature)

(Print Name)

/s/

Melvin Starr

/s/

(Signature)

(Print Name)

/s/

Randy Belken

/s/

(Signature)

(Print Name)

/s/

Charlie Luensman

/s/

(Signature)

(Print Name)

/s/

Brian Marr

/s/

(Signature)

(Print Name)

/s/

Aubrey Steffen

/s/

(Signature)

(Print Name)

/s/

Dennis Nollkamper

/s/

(Signature)

(Print Name)

/s/

James C. Foster

/s/

(Signature)

(Print Name)

INTEGRATED ELECTRICAL SERVICES,
INC.

By: /s/

Senior Vice President
and Chief Financial Officer

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND BEXAR ELECTRIC COMPANY, LTD.
AND ITS STOCKHOLDERS

CONSIDERATION TO BE PAID TO THE STOCKHOLDERS

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDERS:

\$34,783,406 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 1,863,397 shares of IES common stock and \$8,695,852 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDERS:

Stockholder -----	Percentage of Direct and Indirect Ownership -----	Shares of IES Common Stock(1) -----	Cash -----
Bob Weik	72.4697%	1,350,399	\$ 6,301,861
"GRAT"	4.0000%	74,536	\$ 347,834
Katherine Ann Mabry Trust	2.0000%	37,268	\$ 173,917
Lori Diane Weik Trust	2.0000%	37,268	\$ 173,917
Carl Johnston	2.7256%	50,789	\$ 237,014
Billy Hill	1.2255%	22,836	\$ 106,567
Wayne Zwicke	1.2255%	22,836	\$ 106,567
Bobby Neuse	1.2255%	22,836	\$ 106,567
Clifton Engel	1.2255%	22,836	\$ 106,567
Alfredo Perez	0.9191%	17,127	\$ 79,925
Albert Bloch	0.6127%	11,418	\$ 53,283
Jerald Jarzombek	0.6127%	11,418	\$ 53,283
Robert Hufnagl	0.6127%	11,418	\$ 53,283
Doug Burg	0.6127%	11,418	\$ 53,283
Wesley Johnson	0.6127%	11,418	\$ 53,283
Melvin Starr	0.6127%	11,418	\$ 53,283
Randy Belken	0.4596%	8,563	\$ 39,962
Charlie Luensman	0.4596%	8,563	\$ 39,962
Brian Marr	0.4596%	8,563	\$ 39,962

Aubrey Stelfen	0.4596%	8,563	\$ 39,962
Dennis Nollkamper	0.4596%	8,563	\$ 39,962
James Foster	5.0094%	93,345	\$ 435,608
	-----	-----	-----
	100.0000%	1,863,397	\$ 8,695,852
MINIMUM VALUE:		28,459,152	

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings (determined in accordance with generally accepted accounting principles, provided that in determining any compensation expense related to the issuance of cheap stock, such expense will be limited to the appraised fair market value of the partnership interest exchanged for such stock and any gain resulting from a disguised sale for federal income tax purposes shall not be taken into account) and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as

determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash
Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

DANIEL ELECTRICAL CONTRACTORS, INC.
DANIEL ELECTRICAL OF TREASURE COAST, INC.

and

all of the STOCKHOLDERS of
DANIEL ELECTRICAL CONTRACTORS, INC. and
DANIEL ELECTRICAL OF TREASURE COAST, INC.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), DANIEL ELECTRICAL CONTRACTORS, INC., a Florida corporation, and DANIEL ELECTRICAL OF TREASURE COAST, INC., a Florida corporation (collectively, the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Florida.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of December 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended December 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the six-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods

then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

- (i) a summary description of the liability together with the following:
 - (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
 - (b) amounts claimed and any other action or relief sought; and
 - (c) name of claimant and all other parties to the claim, suit or proceeding;
- (ii) the name of each court or agency before which such claim, suit or proceeding is pending;
- (iii) the date such claim, suit or proceeding was instituted; and
- (iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only; and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended December 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

(b) The Stockholders made a valid election under the provisions of Subchapter S of the Code and the Company has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The Stockholders shall pay, and they hereby indemnify IES and the Company against, all income taxes payable with respect to the Company's operations for all periods through and including the Consummation Date.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any

of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

- (i) any Material Adverse Change in the Company;
- (ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;
- (iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;
- (iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,
- (v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;
- (vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;
- (vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;
- (viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;
- (ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;
- (x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the Company has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING.

Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES. IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened

against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii)

any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;

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

(ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to

a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS.

All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION.

All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION.

No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL.

The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT.

The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS.

All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS.

IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

- (i) by mutual consent of the boards of directors of IES and the Company;
- (ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;
- (iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or
- (iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Karin Orlin
Zack, Sparber, Kosnitzky, Spratt & Brooks, P.A.
One International Place
Suite 2300
Miami, Florida 33131

(c) If to the Company, addressed to it at:

Daniel Electrical Contractors, Inc.
5965 N.W. 82nd Avenue
Miami, Florida 33166

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President
& Chief Financial Officer

[Remainder of page intentionally left blank]

DANIEL ELECTRICAL
CONTRACTORS, INC.

By: /s/

Name: -----
Title: -----

/s/ THOMAS A. DANIEL

Thomas A. Daniel Shares Owned: 7,500
3720 Granada Blvd.
Coral Gables, Florida 33134

DANIEL ELECTRICAL OF TREASURE
COAST, INC.

By: /s/

Name: -----
Title: -----

/s/ THOMAS A. DANIEL

Thomas A. Daniel Shares Owned: 100
3720 Granada Blvd.
Coral Gables, Florida 33134

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC. AND
DANIEL ELECTRICAL CONTRACTORS, INC. AND
DANIEL ELECTRICAL OF TREASURE COAST, INC.
AND THEIR STOCKHOLDER

CONSIDERATION TO BE PAID TO THE STOCKHOLDER

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDER:

\$15,900,694 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 851,823 shares of IES common stock and \$3,975,174 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDER:

Stockholder	DEC Number of Shares Owned	DTC Number of Shares Owned	Shares of IES Common Stock(1)	Cash
Thomas A. Daniel	7,500	100	851,823	\$3,975,174
	----- 7,500 =====	----- 100 =====	----- 851,823 =====	----- \$3,975,174 =====
MINIMUM VALUE:	13,009,662			

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash
Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

STARK INVESTMENTS, INC.

and

all of the STOCKHOLDERS of STARK INVESTMENTS, INC.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), STARK INVESTMENTS, INC., a Texas corporation (the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical supply business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Texas.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P, 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY
AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of December 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended December 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the six-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods

then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

- (i) a summary description of the liability together with the following:
 - (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
 - (b) amounts claimed and any other action or relief sought; and
 - (c) name of claimant and all other parties to the claim, suit or proceeding;
- (ii) the name of each court or agency before which such claim, suit or proceeding is pending;
- (iii) the date such claim, suit or proceeding was instituted; and
- (iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only; and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended December 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the

Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

(i) any Material Adverse Change in the Company;

(ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;

(iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

- (i) the name of each financial institution in which the Company has accounts or safe deposit boxes;
- (ii) the names in which the accounts or boxes are held;
- (iii) the type of account and account number; and
- (iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not

apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties

set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING.

Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES.

IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS.

The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS.

Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION.

Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material

which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;
- (viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices; and
- (ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement

to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the

Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL. The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS.

IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

- (i) by mutual consent of the boards of directors of IES and the Company;
- (ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;
- (iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or
- (iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 supply business or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration

statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Stephen E. Toomey
4200 S. Shepherd
Suite 212
Houston, Texas 77098

(c) If to the Company, addressed to it at:

Stark Investments, Inc.
12333-A Sowden Road
Houston, Texas 77080

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President and
Chief Financial Officer

[Remainder of page intentionally left blank]

STARK INVESTMENTS, INC.

By: /s/

Name:

Title:

/s/ JOHN S. WAGNER

John S. Wagner Shares Owned: 1,000
3831 Pleasant Valley Drive
Missouri City, Texas 77459

Spousal Consent and Acknowledgment:

/s/ CATHERINE WAGNER

Catherine Wagner
3831 Pleasant Valley Drive
Missouri City, Texas 77459

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND STARK INVESTMENTS, INC.
AND ITS STOCKHOLDER

CONSIDERATION TO BE PAID TO THE STOCKHOLDER

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDER:

\$12,514,280 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 670,408 shares of IES common stock and \$3,128,570 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDER:

Stockholder	Number of Company Shares Owned	Shares of IES Common Stock(1)	Cash
John S. Wagner	1,000	670,408	\$3,128,570
	----- 1,000 =====	----- 670,408 =====	----- \$3,128,570 =====
MINIMUM VALUE:	10,238,956		

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash

Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

HATFIELD ELECTRIC, INC.

and

all of the STOCKHOLDERS of HATFIELD ELECTRIC, INC.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), HATFIELD ELECTRIC, INC., an Arizona corporation (the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Arizona.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY
AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of October 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended October 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the eight-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the

periods then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

- (i) a summary description of the liability together with the following:
 - (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
 - (b) amounts claimed and any other action or relief sought; and
 - (c) name of claimant and all other parties to the claim, suit or proceeding;
- (ii) the name of each court or agency before which such claim, suit or proceeding is pending;
- (iii) the date such claim, suit or proceeding was instituted; and
- (iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only; and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended October 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the

Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

(i) any Material Adverse Change in the Company;

(ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;

(iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

- (i) the name of each financial institution in which the Company has accounts or safe deposit boxes;
- (ii) the names in which the accounts or boxes are held;
- (iii) the type of account and account number; and
- (iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not

apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties

set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES. IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material

which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;
- (viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices; and
- (ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

- (i) make any change in its Charter Documents;
- (ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;
- (iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;
- (iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;
- (v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;
- (vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);
- (vii) negotiate for the acquisition of any business or the start-up of any new business;
- (viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement

to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the

Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL. The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

- (i) by mutual consent of the boards of directors of IES and the Company;
- (ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;
- (iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or
- (iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration

statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Michael Hool
Mariscal, Weeks, McIntyre & Friedlander
2901 N. Central
Suite 200
Phoenix, Arizona 85012

(c) If to the Company, addressed to it at:

Hatfield Electric, Inc.
7626 E. Greenway Road, Suite 100
Scottsdale, Arizona 85260

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President and
Chief Financial Officer

[Remainder of page intentionally left blank]

HATFIELD ELECTRIC, INC.

By: /s/

Name:

Title:

/s/ HARVEY B. FRIEDMAN

Harvey B. Friedman Shares Owned: 10,000
and Francine A. Friedman as JTROS
11071 East De La O
Scottsdale, Arizona 85255

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND HATFIELD ELECTRIC, INC.
AND ITS STOCKHOLDERS

CONSIDERATION TO BE PAID TO THE STOCKHOLDERS

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDERS:

\$3,889,332 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 208,357 shares of IES common stock and \$972,333 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDERS:

Stockholder	Number of Company Shares Owned	Shares of IES Common Stock(1)	Cash
Harvey B. Friedman and Francine A. Friedman	10,000	208,357	\$972,333
as JTROS	10,000	208,357	\$972,333
	=====	=====	=====
MINIMUM VALUE:	3,182,184		

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash
Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

GENERAL PARTNER, INC.

CHARLES P. BAGBY COMPANY, INC.

and

all of the STOCKHOLDERS of GENERAL PARTNER, INC.
and CHARLES P. BAGBY COMPANY, INC.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), GENERAL PARTNER, INC., an Alabama corporation, CHARLES P. BAGBY COMPANY, INC., an Alabama corporation (collectively, the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Alabama.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P, 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of December 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended December 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the six-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods

then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

- (i) a summary description of the liability together with the following:
 - (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
 - (b) amounts claimed and any other action or relief sought; and
 - (c) name of claimant and all other parties to the claim, suit or proceeding;
- (ii) the name of each court or agency before which such claim, suit or proceeding is pending;
- (iii) the date such claim, suit or proceeding was instituted; and
- (iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only; and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended December 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

(b) The Stockholders made a valid election under the provisions of Subchapter S of the Code and the Company has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The Stockholders shall pay, and they hereby indemnify IES and the Company against, all income taxes payable with respect to the Company's operations for all periods through and including the Consummation Date.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any

of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

- (i) any Material Adverse Change in the Company;
- (ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;
- (iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;
- (iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,
- (v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;
- (vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;
- (vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;
- (viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;
- (ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;
- (x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the Company has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES. IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened

against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii)

any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;

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

(ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to

a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS.

All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION.

All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION.

No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL.

The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT.

The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS.

All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS.

IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

- (i) by mutual consent of the boards of directors of IES and the Company;
- (ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;
- (iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or
- (iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Steven Brickman
Sirote & Permutt, P.C.
2222 Arlington Avenue South
Birmingham, Alabama 35205

(c) If to the Company, addressed to it at:

Haymaker Electric, Ltd.
2701 7th Avenue South
Birmingham, Alabama 35233-3405

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President and
Chief Financial Officer

[Remainder of page intentionally left blank]

GENERAL PARTNER, INC.

By: /s/

Name: -----
Title: -----

2701 7th Ave. S.
Birmingham, Alabama 35233

STOCKHOLDERS:

/s/ CHARLES P. BAGBY

Charles P. Bagby Shares Owned: 700 shares

/s/ BRAD BERRYHILL

Brad Berryhill Shares Owned: 100 shares

/s/ ALLEN MCCAIN

Allen McCain Shares Owned: 100 shares

CHARLES P. BAGBY COMPANY, INC.

By: /s/

Name: -----
Title: -----

2701 7th Ave. S.
Birmingham, Alabama 35233

STOCKHOLDER:

/S/ CHARLES P. BAGBY

Charles P. Bagby Shares Owned: 1,000 shares

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.;
AND GENERAL PARTNERS, INC.,
CHARLES P. BAGBY COMPANY, INC.
AND THEIR STOCKHOLDERS

CONSIDERATION TO BE PAID TO THE STOCKHOLDERS

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDERS:

\$8,115,058 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 434,735 shares of IES common stock and \$2,028,765 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDERS:

Stockholder -----	Percentage Ownership of GP -----	Percentage Ownership of LP -----	Shares of IES Common Stock(1) -----	Cash -----
Charles P. Bagby	78%	100%	358,190	1,671,603
Brad Berryhill	11%	--	17,890	83,279
Allen McCain	11%	--	58,655	273,883
			-----	-----
			434,735	2,028,765
			=====	=====
MINIMUM VALUE:	6,639,597			

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash
Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

HOUSTON-STAFFORD ELECTRIC, INC.

and

all of the STOCKHOLDERS of HOUSTON-STAFFORD ELECTRIC, INC.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), HOUSTON-STAFFORD ELECTRIC, INC., a Texas corporation (the "Company"), and the persons listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, Ben L. Mueller has certain claims and other property rights against the Company, its common stock and/or Roy D. Brown and has agreed to transfer and release, effective as of the Closing Date, all claims, property rights, demands or causes of action he has, had, or may have against the Company, Roy D. Brown, any of the common stock of the Company and/or IES, as acquirer of the common stock of the Company, for and in consideration of the shares of IES Stock and cash to be received by him as described on Annex I hereto;

WHEREAS, Ben L. Mueller shall for purposes of this Agreement and as a result of his claims and other property rights, also be referred to as and considered to be a Stockholder of the Company for all purposes herein;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;
Amber Electric, Inc., a Florida corporation;
Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Texas.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company or other property, shall, upon surrender of certificates evidencing that capital stock or other property, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY
AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the
Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of deliberations or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7,

the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of December 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended December 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the six-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or

litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

(i) a summary description of the liability together with the following:

- (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
- (b) amounts claimed and any other action or relief sought; and
- (c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending;

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such

trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court

order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned

by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only;
and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of

1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax

Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended December 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions

contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

(i) any Material Adverse Change in the Company;

(ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;

(iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the Company has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether

express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary,

except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES. IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject,

in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules thereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

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

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

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

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

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

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

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

(ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing

sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS.

All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION. All actions, proceedings, instruments and

documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL. The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company or other property for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS. All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a)

of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied,

with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information

reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

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

(ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this

Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;

(iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or

(iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2)

years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that

such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the

preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

- (i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become

effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES

Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus

so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory

to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request

in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Stephen E. Toomey
4200 S. Shepherd, Suite 212
Houston, Texas 77098

(c) If to the Company, addressed to it at:

Houston-Stafford Electric, Inc.
10203 Mula Circle
P.O. Box 942
Stafford, Texas 77497-0947

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President and
Chief Financial Officer

[Remainder of page intentionally left blank]

HOUSTON-STAFFORD ELECTRIC, INC.

By: /s/

Name:

Title:

/s/ ROY D. BROWN

Roy D. Brown Shares Owned: 20,000
3519 West Creek Club Drive
Missouri City, Texas 77459

Spousal Consent and Acknowledgment:

/s/ DIANNE BROWN

Dianne Brown
3519 West Creek Club Drive
Missouri City, Texas 77459

/s/ BEN L. MUELLER

Ben L. Mueller
1103 Meadowlark
Sugar Land, Texas 77478

Spousal Consent and Acknowledgment:

/s/ FAYE MUELLER

Faye Mueller
1103 Meadowlark
Sugar Land, Texas 77478

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND HOUSTON-STAFFORD ELECTRIC, INC.
AND ITS STOCKHOLDERS

CONSIDERATION TO BE PAID TO THE STOCKHOLDERS

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDERS:

\$50,057,118 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 2,681,631 shares of IES common stock and \$12,514,280 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDERS:

Stockholder -----	Number of Company Shares Owned -----	Shares of IES Common Stock(1) -----	Cash -----
Roy D. Brown	20,000	1,608,979	\$7,508,568
Ben L. Mueller	property right	1,072,652	5,005,712
		-----	-----
		2,681,631	\$12,514,280
		=====	=====
MINIMUM VALUE:	40,955,825		

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash
Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

MILLS ELECTRICAL CONTRACTORS, INC.

and

all of the STOCKHOLDERS of MILLS ELECTRICAL CONTRACTORS, INC.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), MILLS ELECTRICAL CONTRACTORS, INC., a Texas corporation (the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Texas.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P, 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of December 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended December 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the six-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods

then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

- (i) a summary description of the liability together with the following:
 - (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
 - (b) amounts claimed and any other action or relief sought; and
 - (c) name of claimant and all other parties to the claim, suit or proceeding;
- (ii) the name of each court or agency before which such claim, suit or proceeding is pending;
- (iii) the date such claim, suit or proceeding was instituted; and
- (iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only; and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended December 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

(b) The Stockholders made a valid election under the provisions of Subchapter S of the Code and the Company has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The Stockholders shall pay, and they hereby indemnify IES and the Company against, all income taxes payable with respect to the Company's operations for all periods through and including the Consummation Date.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any

of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

- (i) any Material Adverse Change in the Company;
- (ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;
- (iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;
- (iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,
- (v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;
- (vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;
- (vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;
- (viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;
- (ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;
- (x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the Company has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES. IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened

against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii)

any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;

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

(ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to

a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS.

All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION.

All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION.

No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL.

The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT.

The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS.

All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS.

IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

- (i) by mutual consent of the boards of directors of IES and the Company;
- (ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;
- (iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or
- (iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Chuck Stuber
Canterbury, Stuber, Elder, Gooch & Surrat
5400 LBJ Freeway, Suite 1300
Dallas, Texas 75240

(c) If to the Company, addressed to it at:

Mills Electrical Contractors, Inc.
2535 Walnut Hill Lane
Dallas, Texas 75229

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President and
Chief Financial Officer

[Remainder of page intentionally left blank]

MILLS ELECTRICAL
CONTRACTORS, INC.

By: /s/

Name:

Title:

/s/ JERRY M. MILLS

Jerry M. Mills Shares Owned: 631
464 Country Lane Interest in Fort Worth Regional
Coppell, Texas 75019 Electrical Systems, L.L.C.: 1%

/s/ DANIEL F. HARPER

Daniel F. Harper Shares Owned: 45
2328 Eagle Crest Drive
Grapevine, Texas 76051

Spousal Consent and Acknowledgment:

/s/ DEBRA HARPER

Debra Harper
2328 Eagle Crest Drive
Grapevine, Texas 76051

/s/ TIMOTHY A. CUMMINGS

Timothy A. Cummings
3141 Oakdale Drive
Hurst, Texas 76054

Shares Owned: 51

Spousal Consent and Acknowledgment:

/s/ MARY JO CUMMINGS

Mary Jo Cummings
3141 Oakdale Drive
Hurst, Texas 76054

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC. AND
MILLS ELECTRICAL CONTRACTORS, INC.
AND ITS STOCKHOLDERS

CONSIDERATION TO BE PAID TO THE STOCKHOLDERS

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDERS:

\$46,548,262 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 2,493,657 shares of IES common stock and \$11,637,065 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDERS:

Stockholder -----	Number of Company Shares/Interest ----- Owned -----	Shares of IES Common Stock(1) -----	Cash -----
Jerry M. Mills	631	2,147,705	10,022,624
Daniel F. Harper	45	153,165	714,767
Timothy A. Cummings	51	173,586	810,069
Interest in Fort Worth ----- Regional Electrical Systems, ----- L.L.C. -----			
Jerry M. Mills	1%	--	--
Johnnie G. Miller(2)	10%	19,201	89,605
	----- 727 -----	----- 2,493,657 -----	----- \$ 11,637,065 -----
MINIMUM VALUE:	38,084,940		

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

(2) To be delivered in connection with the attached purchase right.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash

Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

MUTH ELECTRIC, INC.

and

all of the STOCKHOLDERS of MUTH ELECTRIC, INC.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), MUTH ELECTRIC, INC., a South Dakota corporation (the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of South Dakota.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of December 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended December 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the six-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods

then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

(i) a summary description of the liability together with the following:

- (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
- (b) amounts claimed and any other action or relief sought; and
- (c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending;

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only; and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended December 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

(b) The Stockholders made a valid election under the provisions of Subchapter S of the Code and the Company has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The Stockholders shall pay, and they hereby indemnify IES and the Company against, all income taxes payable with respect to the Company's operations for all periods through and including the Consummation Date.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any

of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

- (i) any Material Adverse Change in the Company;
- (ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;
- (iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;
- (iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,
- (v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;
- (vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;
- (vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;
- (viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;
- (ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;
- (x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the Company has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING.

Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES. IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened

against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii)

any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;

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

(ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to

a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS.

All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION.

All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION.

No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL.

The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT.

The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS.

All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS.

IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

- (i) by mutual consent of the boards of directors of IES and the Company;
- (ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;
- (iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or
- (iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Don Peterson
Morgan, Theeler
221 E. Third Avenue
Mitchell, South Dakota 57301-7025

(c) If to the Company, addressed to it at:

Muth Electric, Inc.
400 North Rowley
P.O. Box 1400
Mitchell, South Dakota 57301

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President and
Chief Financial Officer

[Remainder of page intentionally left blank]

MUTH ELECTRIC, INC.

By: /s/

Name: -----

Title: -----

/s/ RICHARD MUTH

Richard Muth Shares Owned: 697
140 N. Harmon Dr.
Mitchell, South Dakota 57301

/s/ DARLENE MUTH

Darlene Muth Shares Owned: 40
140 N. Harmon Dr.
Mitchell, South Dakota 57301

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND MUTH ELECTRIC, INC.
AND ITS STOCKHOLDERS

CONSIDERATION TO BE PAID TO THE STOCKHOLDERS

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDERS:

\$8,835,377 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 473,324 shares of IES common stock and \$2,208,844 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDERS:

Stockholder	Number of Company Shares Owned	Shares of IES Common Stock(1)	Cash
Richard Muth	697	447,635	\$2,088,961
Darlene Muth	40	25,689	119,883
	737	473,324	\$2,208,844
	=====	=====	=====
MINIMUM VALUE:	7,228,944		

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash
Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

POLLOCK ELECTRIC INC.

and

all of the STOCKHOLDERS of POLLOCK ELECTRIC INC.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), POLLOCK ELECTRIC INC., a Texas corporation (the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Texas.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P, 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of October 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended October 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the eight-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the

periods then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

- (i) a summary description of the liability together with the following:
 - (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
 - (b) amounts claimed and any other action or relief sought; and
 - (c) name of claimant and all other parties to the claim, suit or proceeding;
- (ii) the name of each court or agency before which such claim, suit or proceeding is pending;
- (iii) the date such claim, suit or proceeding was instituted; and
- (iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only;

and
(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended October 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the

Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

(i) any Material Adverse Change in the Company;

(ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;

(iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

- (i) the name of each financial institution in which the Company has accounts or safe deposit boxes;
- (ii) the names in which the accounts or boxes are held;
- (iii) the type of account and account number; and
- (iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not

apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties

set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING.

Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES.

IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS.

The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS.

Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION.

Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the

negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;
- (viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices; and
- (ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement

to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the

Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL. The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS.

IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

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

(ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;

(iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or

(iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration

statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

- (a) If to IES addressed to it at:
Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

- (b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Gordon Zuber
Weycer, Kaplan, Pulaski & Zuber
1400 Summit Tower
11 Greenway Plaza
Houston, Texas 77046-1104

- (c) If to the Company, addressed to it at:

Pollock Electric Inc.
4001 Sherwood Lane
P.O. Box 925187
Houston, Texas 77292-5187

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President and
Chief Executive Officer

[Remainder of page intentionally left blank]

POLLOCK ELECTRIC INC.

By: /s/

 Name: -----
 Title: -----

/s/ JON V. POLLOCK

 Jon V. Pollock Shares Owned: 1,000
 518 Pine Shadows
 Houston, Texas 77056

Spousal Consent and Acknowledgment:

/s/ JANE POLLOCK

 Jane Pollock
 518 Pine Shadows
 Houston, Texas 77056

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND POLLOCK ELECTRIC, INC.
AND ITS STOCKHOLDER

CONSIDERATION TO BE PAID TO THE STOCKHOLDER

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDER:

\$5,968,276 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 319,729 shares of IES common stock and \$1,492,069 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below plus \$400,000 multiplied by the actual initial public offering price per share divided by \$14 less \$400,000.

Consideration to be paid to the STOCKHOLDER:

Stockholder	Number of Company Shares Owned	Shares of IES Common Stock(1)	Cash
Jon V. Pollock	1,000	319,729	\$1,092,069
	----- 1,000 =====	----- 319,729 =====	----- \$1,092,069 =====
MINIMUM VALUE:	4,883,139		

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997 -----	Minimum Cash Required -----	Excess Cash -----
Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

THOMAS POPP & COMPANY

and

all of the STOCKHOLDERS of THOMAS POPP & COMPANY

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), THOMAS POPP & COMPANY, an Ohio corporation (the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Ohio.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY
AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of December 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended December 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the six-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods

then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

(i) a summary description of the liability together with the following:

- (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
- (b) amounts claimed and any other action or relief sought; and
- (c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending;

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only; and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended December 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

(b) The Stockholders made a valid election under the provisions of Subchapter S of the Code and the Company has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The Stockholders shall pay, and they hereby indemnify IES and the Company against, all income taxes payable with respect to the Company's operations for all periods through and including the Consummation Date.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any

of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

- (i) any Material Adverse Change in the Company;
- (ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;
- (iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;
- (iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,
- (v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;
- (vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;
- (vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;
- (viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;
- (ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;
- (x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the Company has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY

TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES. IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened

against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii)

any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;

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

(ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to

a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS.

All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION.

All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION.

No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL.

The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT.

The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS.

All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax- free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

- (i) by mutual consent of the boards of directors of IES and the Company;
- (ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;
- (iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or
- (iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Bob Buechner
Buechner, Haffer, O'Connell, Meyers & Healey
105 East 4th Street
Suite 1405
Cincinnati, Ohio 45202

(c) If to the Company, addressed to it at:

Thomas Popp & Company
8627 Calumet Way
Cincinnati, Ohio 45249

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President
& Chief Financial Officer

[Remainder of page intentionally left blank]

THOMAS POPP & COMPANY

By: /s/

Name:

Title:

/s/ THOMAS C. POPP

Thomas C. Popp Shares Owned: 51
8627 Calumet Way
Cincinnati, Ohio 45249

/s/ WILLIAM V. BEISHCEL

William V. Beischel Shares Owned: 49
8200 Lake Valley Drive
Cincinnati, Ohio 45247

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND THOMAS POPP & COMPANY
AND ITS STOCKHOLDERS

CONSIDERATION TO BE PAID TO THE STOCKHOLDERS

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDERS:

\$3,904,283 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 209,158 shares of IES common stock and \$976,071 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDERS:

Stockholder -----	Number of Company Shares Owned -----	Shares of IES Common Stock -----	Cash -----
Thomas C. Popp	51	106,671	\$497,796
William V. Beischel	49	102,487	478,275
	-----	-----	-----
	100	209,158	\$976,071
	=====	=====	=====
 MINIMUM VALUE:	 3,194,415		

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash
Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

REYNOLDS ELECTRIC CORP.

and

all of the STOCKHOLDERS of REYNOLDS ELECTRIC CORP.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), REYNOLDS ELECTRIC CORP., an Arizona corporation (the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Arizona.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P, 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY
AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of December 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended December 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the six-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods

then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

(i) a summary description of the liability together with the following:

- (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
- (b) amounts claimed and any other action or relief sought; and
- (c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending;

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only; and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended December 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

(b) The Stockholders made a valid election under the provisions of Subchapter S of the Code and the Company has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The Stockholders shall pay, and they hereby indemnify IES and the Company against, all income taxes payable with respect to the Company's operations for all periods through and including the Consummation Date.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any

of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

- (i) any Material Adverse Change in the Company;
- (ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;
- (iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;
- (iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,
- (v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;
- (vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;
- (vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;
- (viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;
- (ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;
- (x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the Company has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A

copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING.

Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES. IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions

contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and

is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents

or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the

knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;

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

(ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date

provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not

consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial

statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any

conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS.

All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL. The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any

Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability,

and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification

Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

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

(ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;

(iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set

forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or

(iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the

disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF WITHOUT THE WRITTEN CONSENT OF IES, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO [THE SECOND ANNIVERSARY OF CLOSING DATE]. UPON THE WRITTEN REQUEST OF THE

HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

- (i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

- (ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;
- (iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;
- (iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;
- (v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;
- (vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;
- (vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;
- (viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and

any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow

agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more

than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Michael Hool
Mariscal, Weeks, McIntyre & Friedlander
2901 N. Central
Suite 200
Phoenix, Arizona 85012

(c) If to the Company, addressed to it at:

Reynolds Electric Corp.
1835 W. Vogel
Suite No. 4
Phoenix, Arizona 85021-0960

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President and
Chief Financial Officer

[Remainder of page intentionally left blank]

REYNOLDS ELECTRIC CORP.

By: /s/

 Name:

 Title:

/s/ CLAUDE ERNEST REYNOLDS, JR.

 Claude Ernest Reynolds, Jr. Shares Owned: 920
 16433 N. 35th Lane
 Phoenix, Arizona 85023

Spousal Consent and Acknowledgment:

/s/ SHARON ANN REYNOLDS

 Sharon Ann Reynolds
 16433 N. 35th Lane
 Phoenix, Arizona 85023

/s/ BENJAMIN REYNOLDS

 Benjamin Reynolds Shares Owned: 40

/s/ CLAUDE ERNEST REYNOLDS

 Claude Ernest Reynolds Shares Owned: 40
 A/N/F of Breanna Reynolds,
 a minor child

/s/ SHARON ANN REYNOLDS

 Sharon Ann Reynolds
 A/N/F of Breanna Reynolds,
 a minor child

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND REYNOLDS ELECTRIC CORP.
AND ITS STOCKHOLDERS

CONSIDERATION TO BE PAID TO THE STOCKHOLDERS

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDERS:

\$3,755,567 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 201,191 shares of IES common stock and \$938,892 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDERS:

Stockholder	Number of Company Shares Owned	Shares of IES Common Stock(1)	Cash
Claude Ernest Reynolds, Jr.	920	185,096	\$ 863,782
Benjamin Reynolds	40	16,095	37,555
Breanna Reynolds, Minor Child	40	16,095	37,555
	1,000	201,191	\$ 938,892
	1,000	201,191	\$ 938,892

MINIMUM VALUE: 3,072,735

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash
Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

RODGERS ELECTRIC COMPANY, INC.

and

all of the STOCKHOLDERS of RODGERS ELECTRIC COMPANY, INC.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), RODGERS ELECTRIC COMPANY, INC., a Washington corporation (the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;

Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;

Hatfield Electric, Inc., an Arizona corporation;

Haymaker Electric, Ltd., an Alabama limited partnership;

Houston-Stafford Electric, Inc., a Texas corporation;

Mills Electrical Contractors, Inc., a Texas corporation;

Muth Electric, Inc., a South Dakota corporation;

Pollock Electric Inc., a Texas corporation;

Thomas Popp & Company, an Ohio corporation;

Reynolds Electric Corp., an Arizona corporation;

Rodgers Electric Company, Inc., a Washington corporation;

Stark Investments, Inc., a Texas corporation;

Summit Electric of Texas, Incorporated, a Texas corporation; and

Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Washington.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P, 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY
AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of September 30, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended September 30, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the nine-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods

then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

- (i) a summary description of the liability together with the following:
 - (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
 - (b) amounts claimed and any other action or relief sought; and
 - (c) name of claimant and all other parties to the claim, suit or proceeding;
- (ii) the name of each court or agency before which such claim, suit or proceeding is pending;
- (iii) the date such claim, suit or proceeding was instituted; and
- (iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only;
and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended September 30. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the

Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

(i) any Material Adverse Change in the Company;

(ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;

(iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

- (i) the name of each financial institution in which the Company has accounts or safe deposit boxes;
- (ii) the names in which the accounts or boxes are held;
- (iii) the type of account and account number; and
- (iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not

apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties

set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING.

Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES.

IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS.

The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS.

Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION.

Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material

which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;
- (viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices; and
- (ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement

to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the

Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL. The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS.

IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

- (i) by mutual consent of the boards of directors of IES and the Company;
- (ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;
- (iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or
- (iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration

statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Glen Paul Carpenter
Anderson Hunter
P. O. Box 5397
Everett, Washington 98206

(c) If to the Company, addressed to it at:

Rodgers Electric Company, Inc.
2609 Wetmore
P. O. Box 1152
Everett, Washington 98206

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President and
Chief Financial Officer

[Remainder of page intentionally left blank]

RODGERS ELECTRIC COMPANY, INC.

By: /s/

Name:

Title:

/s/ TERRY E. EARNHEART

Terry E. Earnheart Shares Owned: 74
3519 71st Ave. N.E.
Marysville, Washington 98270

/s/ CHERYLE L. EARNHEART

Cheryle L. Earnheart Shares Owned: 74
3519 71st Ave. N.E.
Marysville, Washington 98270

/s/ CHERIE L. EARNHEART

Cherie L. Earnheart Shares Owned: 1
3519 71st Ave. N.E.
Marysville, Washington 98270

/s/ TYLER E. EARNHEART

Tyler E. Earnheart Shares Owned: 1
3519 71st Ave. N.E.
Marysville, Washington 98270

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND RODGERS ELECTRIC COMPANY, INC.
AND ITS STOCKHOLDERS

CONSIDERATION TO BE PAID TO THE STOCKHOLDERS

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDERS:

\$6,733,541 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 360,725 shares of IES common stock and \$1,683,385 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDERS:

Stockholder	Number of Company Shares Owned	Shares of IES Common Stock(1)	Cash
	-----	-----	-----
Terry E. Earnheart	74	177,958	\$830,470
Cheryle L. Earnheart	74	177,958	830,470
Cherie L. Earnheart	1	2,405	11,223
Tyler E. Earnheart	1	2,405	11,223
	-----	-----	-----
	150	360,725	\$1,683,385
	=====	=====	=====

MINIMUM VALUE: 5,509,260

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash

Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

SUMMIT ELECTRIC OF TEXAS, INCORPORATED

and

all of the STOCKHOLDERS of SUMMIT ELECTRIC OF TEXAS, INCORPORATED

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), SUMMIT ELECTRIC OF TEXAS, INCORPORATED, a Texas corporation (the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;
Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;
Hatfield Electric, Inc., an Arizona corporation;
Haymaker Electric, Ltd., an Alabama limited partnership;
Houston-Stafford Electric, Inc., a Texas corporation;
Mills Electrical Contractors, Inc., a Texas corporation;
Muth Electric, Inc., a South Dakota corporation;
Pollock Electric Inc., a Texas corporation;
Thomas Popp & Company, an Ohio corporation;
Reynolds Electric Corp., an Arizona corporation;
Rodgers Electric Company, Inc., a Washington corporation;
Stark Investments, Inc., a Texas corporation;
Summit Electric of Texas, Incorporated, a Texas corporation; and
Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Texas.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY
AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of March 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended March 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the three-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the

periods then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

- (i) a summary description of the liability together with the following:
 - (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
 - (b) amounts claimed and any other action or relief sought; and
 - (c) name of claimant and all other parties to the claim, suit or proceeding;
- (ii) the name of each court or agency before which such claim, suit or proceeding is pending;
- (iii) the date such claim, suit or proceeding was instituted; and
- (iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only;

and
(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended March 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the

Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

(i) any Material Adverse Change in the Company;

(ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;

(iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

- (i) the name of each financial institution in which the Company has accounts or safe deposit boxes;
- (ii) the names in which the accounts or boxes are held;
- (iii) the type of account and account number; and
- (iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not

apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties

set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING.

Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES.

IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS.

The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS.

Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION.

Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material

which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;
- (viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices; and
- (ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

- (i) make any change in its Charter Documents;
- (ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;
- (iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;
- (iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;
- (v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;
- (vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);
- (vii) negotiate for the acquisition of any business or the start-up of any new business;
- (viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement

to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the

Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL. The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS.

IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

- (i) by mutual consent of the boards of directors of IES and the Company;
- (ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;
- (iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or
- (iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration

statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Malcolm Gibson
Gibson & Herberger L.L.P.
Three Riverway
Suite 400
Houston, Texas 77056

(c) If to the Company, addressed to it at:

Summit Electric of Texas, Incorporated
4545 South Pinemont
Houston, Texas 77041

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President
& Chief Financial Officer

[Remainder of page intentionally left blank]

SUMMIT ELECTRIC OF TEXAS,
INCORPORATED

By: /s/

Name:

Title:

/s/ STEVEN E. JACKSON

Steven E. Jackson Shares Owned: 1,000
18323 Mountfield
Houston, Texas 77084

Spousal Consent and Acknowledgment:

/s/ CLARE SULLIVAN-JACKSON

Clare Sullivan-Jackson
18323 Mountfield
Houston, Texas 77084

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND SUMMIT ELECTRIC OF TEXAS, INCORPORATED
AND ITS STOCKHOLDER

CONSIDERATION TO BE PAID TO THE STOCKHOLDER

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDER:

\$6,001,437 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 321,506 shares of IES common stock and \$1,500,439 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below less \$400,000 multiplied by the actual initial public offering price per share divided by \$14 plus \$400,000.

Consideration to be paid to the STOCKHOLDER:

Stockholder -----	Number of Company Shares Owned -----	Shares of IES Common Stock(1) -----	Cash -----
Steven E. Jackson	1,000	321,506	\$1,900,439
	----- 1,000 =====	----- 321,506 =====	----- \$1,900,439 =====
MINIMUM VALUE:	4,910,265		

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash
Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

STOCK PURCHASE AGREEMENT

dated as of the 21st day of October, 1997

by and among

INTEGRATED ELECTRICAL SERVICES, INC.

THURMAN & O'CONNELL CORPORATION

and

all of the STOCKHOLDERS of THURMAN & O'CONNELL CORPORATION

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 21st day of October, 1997, by and among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation ("IES"), THURMAN & O'CONNELL CORPORATION, a Kentucky corporation (the "Company"), and the stockholders listed on the signature pages of this Agreement (the "Stockholders"), which are all the stockholders of the Company.

RECITALS

WHEREAS, the Company is engaged in the electrical contracting business;

WHEREAS, as of the date hereof, the Stockholders own, and as of the Consummation Date the Stockholders will own, all of the issued and outstanding capital stock of the Company (the "Company Stock");

WHEREAS, IES is entering into other separate agreements simultaneously with this Agreement that are substantially the same as this Agreement (the "Other Agreements"), each of which is entitled "Stock Purchase Agreement," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional companies engaged in the electrical services business;

WHEREAS, this Agreement and the Other Agreements constitute the "IES Plan of Organization;"

WHEREAS, the Stockholders and the boards of directors and the stockholders of IES, and each of the Other Founding Companies that are parties to the Other Agreements, have approved and adopted the IES Plan of Organization as an integrated plan pursuant to which the Stockholders and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to IES and the Stockholders of each of the other Founding Companies will acquire the stock of IES (but not cash or other property) as a tax-free transfer of property under Section 351 of the Code;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the board of directors of the Company has approved this Agreement as part of the IES Plan of Organization in order to transfer the capital stock of the Company to IES; and

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the Company, any subsidiary and any member of a Relevant Group.

"Affiliates" means with respect to any person or entity, any other person or entity that directly or indirectly, controls, is controlled by, or is under common control with such person or entity.

"Balance Sheet Date" means June 30, 1997.

"Charter Documents" has the meaning set forth in Section 5.1.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in the recitals of this Agreement.

"Consummation Date" has the meaning set forth in Section 4.

"Delaware GCL" means the General Corporation Law of the State of Delaware.

"Draft Registration Statement" means the draft dated October 20, 1997 of the Registration Statement, and any corrections thereto and supplemental information delivered by IES to the Company for delivery to the Stockholders prior to the time this Agreement is delivered to IES.

"Effective Time" means the effective time of the consummation of the purchase and sale of the Company Stock, which shall occur on the Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13(b).

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Ace Electric, Inc., a Georgia corporation;

Amber Electric, Inc., a Florida corporation;

Bexar Electric Company, Ltd., a Texas limited partnership;

Daniel Electrical Contractors, Inc., a Florida corporation, and Daniel Electrical of Treasure Coast, Inc., a Florida corporation;

Hatfield Electric, Inc., an Arizona corporation;

Haymaker Electric, Ltd., an Alabama limited partnership;

Houston-Stafford Electric, Inc., a Texas corporation;

Mills Electrical Contractors, Inc., a Texas corporation;

Muth Electric, Inc., a South Dakota corporation;

Pollock Electric Inc., a Texas corporation;

Thomas Popp & Company, an Ohio corporation;

Reynolds Electric Corp., an Arizona corporation;

Rodgers Electric Company, Inc., a Washington corporation;

Stark Investments, Inc., a Texas corporation;

Summit Electric of Texas, Incorporated, a Texas corporation; and

Thurman & O'Connell Corporation, a Kentucky corporation;

"GAAP" means generally accepted accounting principles as consistently applied in the United States.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Hazardous Substance" has the meaning set forth in Section 5.13(c).

"IES" has the meaning set forth in the first paragraph of this Agreement.

"IES Charter Documents" has the meaning set forth in Section 6.1.

"IES Plan of Organization" has the meaning set forth in the recitals of this Agreement.

"IES Stock" means the common stock, par value \$.01 per share, of IES.

"IPO" means the initial public offering of IES Stock pursuant to the Registration Statement.

"known," "knowledge" or "best knowledge," when used in reference to a statement regarding the existence or absence of facts in this Agreement, is intended by the parties to mean that the only information to be attributed to such person is information actually known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity, an officer or director.

"Material Adverse Change" means a material adverse change in the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the subject entity and its subsidiaries taken as a whole.

"Material Documents" has the meaning set forth in Section 5.23.

"Minimum Value" has the meaning set forth in Annex I.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by IES and the Underwriters of the public offering price of the shares of IES Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of IES Stock to be issued in the IPO, including the prospectus and all amendments and supplements thereto.

"Relevant Group" means the Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member.

"Restricted Common Stock" has the meaning set forth in Section 1.3(ii).

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"State of Incorporation" means the State of Kentucky.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Subsidiaries" means with respect to a person or entity, any corporation or other entity in which such person or entity owns a 5% or greater ownership interest.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, withholding, employment, excise, property, deed, stamp, alternative or add-on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. SALE AND PURCHASE OF STOCK

1.1 SALE AND PURCHASE. Upon the terms and subject to the conditions contained in this Agreement and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, on the Consummation Date, the Stockholders shall sell to IES and IES shall purchase from the Stockholders, all of the issued and outstanding shares of capital stock of the Company as set forth in Annex I hereto.

1.2 PURCHASE PRICE. The purchase price for the Company Stock shall be as set forth on Annex I to this Agreement.

1.3 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND IES. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Company and IES as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the Company is as set forth on Schedule 5.3 hereto; and

(ii) immediately prior to the Closing Date and the Consummation Date, the authorized capital stock of IES will consist of 100,000,000 shares of IES Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding and 2,655,709 shares of Restricted Voting Common Stock, \$.01 per value (the "Restricted Common Stock"), all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

2.1 BOARD OF DIRECTORS. As of the Consummation Date, the Board of Directors of the Company shall consist of the persons identified on Schedule 2.1 hereto, each of such directors to hold office subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

2.2 OFFICERS. As of the Consummation Date, the officers of the Company shall consist of the persons identified on Schedule 2.2 hereto, each of such officers to hold office, subject to the provisions of the laws of the State of Incorporation and of the charter and bylaws of the Company, until their respective successors are duly elected and qualified.

3. DELIVERY OF CONSIDERATION

3.1 STOCKHOLDERS' CONSIDERATION. On the Consummation Date, the Stockholders, who are now and on the Consummation Date will be, the holders of all of the outstanding capital stock of the Company, shall, upon surrender of certificates evidencing that capital stock, receive from IES the respective number of shares of IES Stock and the amount of cash described on Annex I hereto, which shall be payable by certified check or wire transfer.

3.2 STOCKHOLDERS' DELIVERIES. The Stockholders shall deliver at the Closing the certificates representing Company Stock, duly endorsed in blank by the Stockholders, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the Stockholders' expense, affixed and canceled. The Stockholders agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such Company Stock or with respect to the stock powers accompanying any Company Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the purchase and sale of the Company Stock or the delivery of the IES Stock and cash referred to in Section 3 hereof, each of which actions shall only be taken upon the Consummation Date as herein provided. The delivery of the Company Stock, which shall

occur at or prior to the Pricing (the "Closing"), shall take place on the closing date (the "Closing Date") at the offices of Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, 600 Travis, Houston, Texas 77002. All Company Stock shall be delivered at the Closing to Andrews & Kurth L.L.P., to be held in trust until the Consummation Date, and shall be returned immediately upon any termination of this Agreement prior to the Consummation Date. On the Consummation Date (x) all transactions contemplated by this Agreement, including the delivery of shares and cash which the Stockholders shall be entitled to receive pursuant to Annex I hereof, shall be completed, and (y) the closing with respect to the IPO shall occur and be completed. The date on which the actions described in the preceding clauses (x) and (y) occurs shall be referred to as the "Consummation Date." During the period from the Closing Date to the Consummation Date, this Agreement may only be terminated by the Company if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such underwriting agreement. This Agreement shall in any event terminate if the Consummation Date does not occur within 30 days of the Pricing. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE STOCKHOLDERS

(A) Representations and Warranties of the Company and the Stockholders.

Except as set forth in the disclosure schedules attached hereto and except as otherwise qualified below, each of the Company and the Stockholders, jointly and severally, represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.7 hereto, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that the warranties and representations set forth in Sections 5.3 and 5.22 hereof shall survive until such time as the applicable limitations period has run, which shall be deemed to be the Expiration Date for Sections 5.3 and 5.22. For purposes of this Section 5, the term "Company" shall mean and refer to the Company and all of its Subsidiaries, if any.

5.1 DUE ORGANIZATION. The Company is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect on the Company. Schedule 5.1 sets forth a list of all states in which the Company is authorized or qualified to do business. True, complete and correct copies of (i) the Certificate of Incorporation and By-laws, each as amended, of the Company (the "Charter Documents"), and (ii) the stock records of the Company, are all attached to Schedule 5.1. The Company has delivered to IES complete and correct copies of all minutes of meetings, written consents and other evidence, if any, of

deliberations of or actions taken by the Company's Board of Directors, any committees of the Board of Directors and stockholders during the last five years.

5.2 AUTHORIZATION. (i) The officers or other representatives of the Company executing this Agreement have the authority to enter into and bind the Company to the terms of this Agreement and (ii) the Company has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. Copies of the most recent resolutions adopted by the Board of Directors of the Company and the most recent resolutions adopted by the Stockholders, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, are attached hereto as Schedule 5.2.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the Company is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the Company are owned by the Stockholders in the amounts set forth in Schedule 5.3, other than any treasury shares listed on Schedule 5.3. Each Stockholder, severally, represents and warrants that except as set forth on Schedule 5.3, the shares of capital stock of the Company owned by such Stockholder are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the Stockholders and further, such shares were offered, issued, sold and delivered by the Company in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the Company has not acquired or redeemed any Company Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Company to issue any of its authorized but unissued capital stock; (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the Company nor the relative ownership of shares among any of its respective Stockholders has been altered or changed in contemplation of the IES Plan of Organization. There are no voting trusts, proxies or other agreements or understandings to which the Company or any of the Stockholders is a party or is bound with respect to the voting of any shares of capital stock of the Company.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of Company Stock was issued pursuant to awards, grants or bonuses in contemplation of the IES Plan of Organization.

5.6 SUBSIDIARIES; OWNERSHIP IN OTHER ENTITIES. Except as set forth on Schedule 5.6, the Company has no Subsidiaries. Except as set forth in Schedule 5.6, the Company does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the Company, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth on Schedule 5.7 is a listing of all predecessor companies of the Company, including the names of any entities acquired by the Company (by stock purchase, merger or otherwise) or owned by the Company or from whom the Company previously acquired material assets, in any case, from the earliest date upon which any Stockholder acquired his or her stock in any Company. Except as disclosed on Schedule 5.7, the Company has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the Company or any other person or entity that is an Affiliate of the Company since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Copies of the following financial statements are attached hereto as Schedule 5.9:

(i) the balance sheets of the Company as of December 31, 1995 and 1996 and the related statements of operations, stockholder's equity and cash flows for the two-year period ended December 31, 1996, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Year-end Financial Statements"); and

(ii) the balance sheet of the Company as of June 30, 1996, the balance sheet of the Company as of June 30, 1997 (the "Balance Sheet Date") and the related statements of operations, stockholder's equity and cash flows for the six-month periods ended June 30, 1996 and 1997, together with the related notes and schedules (such balance sheets, the related statements of operations, stockholder's equity and cash flows and the related notes and schedules are referred to herein as the "Interim Financial Statements"). The Year-end Financial Statements and the Interim Financial Statements are collectively called the "Financial Statements". The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial position of the Company as of the dates thereof and the results of its operations and changes in financial position for the periods

then ended, subject, in the case of the Interim Financial Statements, to normal year-end and audit adjustments and any other adjustments described therein.

5.10 LIABILITIES AND OBLIGATIONS. Schedule 5.10 sets forth an accurate list as of the Balance Sheet Date of (i) all material liabilities of the Company which are not reflected on the balance sheet of the Company at the Balance Sheet Date or otherwise reflected in the Company Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, pledges or other security agreements to which the Company is a party or by which its properties may be bound other than those made in the ordinary course of business and consistent with past practice. Except as set forth on Schedule 5.10, since the Balance Sheet Date, the Company has not incurred any material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices. The Company has also delivered to IES on Schedule 5.10, in the case of those contingent liabilities related to pending litigation or litigation that has been threatened in writing, or other material liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the Company reasonably expects will be payable and the amount, if any, accrued or reserved for each such potential liability on the Company's Financial Statements. For each such contingent liability or liability for which the amount is not fixed or is contested, the Company has provided to IES the following information:

- (i) a summary description of the liability together with the following:
 - (a) copies of all relevant documentation in the possession of the Company or its directors, officers or stockholders relating thereto;
 - (b) amounts claimed and any other action or relief sought; and
 - (c) name of claimant and all other parties to the claim, suit or proceeding;
- (ii) the name of each court or agency before which such claim, suit or proceeding is pending;
- (iii) the date such claim, suit or proceeding was instituted; and
- (iv) a good faith estimate of the maximum amount, if any, which the Company expects, based on information available, is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.11 sets forth an accurate list, in all material respects, of the accounts and notes receivable of the Company, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including all receivables from and advances to employees and the Stockholders, which are identified as such. Schedule 5.11 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date showing amounts due in 30-day aging categories. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The Company or its employees hold all licenses, franchises, permits and other governmental authorizations ("Licenses") necessary to conduct the business of the Company, the absence of which would cause a Material Adverse Effect on the Company, and the Company has delivered to IES a list that is accurate, in all material respects, and summary description (which is set forth on Schedule 5.12) of all such Licenses, including any trademarks, trade names, patents, patent applications and copyrights owned or held by the Company or any of its employees (including interests in software or other technology systems, programs and intellectual property). At or prior to the Closing, all such trademarks, trade names, patents, patent applications, copyrights and other intellectual property will be assigned or licensed to the Company for no additional consideration. The Licenses and other rights listed on Schedule 5.12 are valid, and the Company has not received any notice that any person intends to cancel, terminate or not renew any such License or other right. The Company has conducted and is conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in the Licenses and other rights listed on Schedule 5.12 and is not in violation of any of the foregoing in any material respect. Except as specifically provided in Schedule 5.12, the consummation by the Company of the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses or other rights.

5.13 ENVIRONMENTAL MATTERS. (a) Except as set forth in Schedule 5.13 attached hereto, (i) the Company has conducted its businesses in compliance in all material respects with all applicable Environmental Laws, including, without limitation, having all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) none of the properties owned by the Company contain any Hazardous Substance as a result of any activity of the Company in amounts exceeding the levels permitted by applicable Environmental Laws, (iii) the Company has not received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that the Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (iv) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company or the Stockholders, threatened, against the Company relating to any violation, or alleged violation, of any Environmental Law, (v) no reports have been filed, or are required to be filed, by the

Company concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (vi) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by the Company as a result of any activity of the Company during the time such properties were owned, leased or operated by the Company, (vii) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of the Company relating to the activities of the Company which are not listed on Schedule 5.13 attached hereto prior to the date hereof, (viii) to the knowledge of the Company and the Stockholders, there are no underground storage tanks on, in or under any properties owned by the Company and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by the Company which are not listed on Schedule 5.13, (ix) to the knowledge of the Company and the Stockholders, there is no asbestos or asbestos-containing material present in any of the properties owned by the Company, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by the Company, and (x) neither the Company nor any of its respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law.

(b) As used herein, "Environmental Law" means any Federal, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as in effect on the Closing Date. The term Environmental Law includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(c) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any government authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos or asbestos-containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

5.14 PERSONAL PROPERTY. The Company has delivered to IES an accurate list (which is set forth on Schedule 5.14) of (x) all personal property material to the operations of the Company included in "plant, property and equipment" on the balance sheet of the Company, (y) all other personal property owned by the Company with an individual value in excess of \$2,500 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all material leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by Stockholders, relatives of Stockholders, or Affiliates of the Company. Except as set forth on Schedule 5.14, (i) all personal property material to, and used by, the Company in its business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 or replacement property thereof is in working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.15) of all customers (persons or entities) representing 5% or more of the Company's annual revenues for any period covered by any of the Financial Statements. Except to the extent set forth on Schedule 5.15, none of such customers has canceled or substantially reduced or, to the best knowledge of the Company and the Stockholders, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the Company.

(b) The Company has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the Company is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedules 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to IES. Except for expenditures in the ordinary course of business, the Company has also indicated on Schedule

5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, or the acquisition of any personal property, business or assets requiring, in any event, the payment of more than 2% of the Company's revenues for fiscal 1996 by the Company during any 12-month period.

(c) Except as set forth on Schedule 5.15, since January 1, 1997, the Company has not experienced any difficulties in obtaining any inventory items necessary to the operation of its business, and, to the knowledge of the Company and the Stockholders, no such shortage of supply of inventory items is threatened or pending. To the best knowledge of the Company and the Stockholders, no customer or supplier of the Company will cease to do business with, or substantially reduce its purchases from, the Company after the consummation of the transactions contemplated hereby.

(d) Except as set forth on Schedule 5.15, the Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any contract listed on Schedule 5.15.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the Company at the date hereof and all other real property, if any, used by the Company in the conduct of its business. Except as set forth on Schedule 5.16, any such real property owned by the Company will be sold or distributed by the Company on terms mutually acceptable to IES and the Company and leased back by the Company on terms no less favorable to the Company than those available from an unaffiliated party and otherwise reasonably acceptable to IES at or prior to the Closing Date. The Company has good and insurable title to any real property owned by it that is shown on Schedule 5.16, other than property intended to be sold or distributed prior to the Closing Date, and all real property so owned is subject to no mortgage, pledge, lien, conditional sales agreement, encumbrance, lease, possessory rights of third parties or charge, except for:

(i) liens reflected on Schedules 5.10 or 5.16 as securing specified liabilities (with respect to which no material default exists);

(ii) liens for current taxes not yet payable and assessments not in default;

(iii) easements for utilities serving the property only; and

(iv) easements, covenants and restrictions and other exceptions to title which do not adversely affect the current or contemplated use of the property.

Copies of all leases and agreements in respect of such real property leased by the Company, which are true, complete and correct in all material respects, are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by Stockholders or Affiliates of the Company or Stockholders is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included

on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The Company has delivered to IES (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the Company, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance the Company is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Consummation Date except as set forth on Schedule 5.17. Since January 1, 1995, no insurance carried by the Company has been canceled by the insurer and the Company has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; LABOR MATTERS.

(a) The Company has delivered to IES an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the Company, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The Company has provided to IES true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, except as disclosed on Schedule 5.18, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

(b) Except as set forth on Schedule 5.18, (i) the Company is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) to the best knowledge of the Company and the Stockholders, no campaign to establish such arrangement is in progress and (iii) there is no pending or, to the best of the Company's knowledge and the Stockholders' knowledge, threatened labor dispute involving the Company and any group of its employees nor has the Company experienced any labor interruptions over the past three years. The Company believes its relationship with employees to be good.

(c) Except as set forth in Schedule 5.18 attached hereto, (i) there are no significant controversies pending or, to the knowledge of the Company and the Stockholders, threatened between the Company and any of its employees, (ii) the Company has complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and (iii) no person has asserted that the Company is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.19 EMPLOYEE PLANS. The Company has delivered to IES an accurate schedule (Schedule 5.19) showing all employee benefit plans of the Company, including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date and as of the date of this Agreement. Except for the employee benefit plans, if any, described on Schedule 5.19, the Company does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan", and neither the Company nor any subsidiary has any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. The Company has not sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, and the Company is not or could not be required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions of employment of any of the Company's employees.

Except as set forth on Schedule 5.19, the Company is not now, or will not as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in compliance in all material respects with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of the Company with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the Company as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401 (a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are attached to Schedule 5.19. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither Stockholders, any such plan listed in Schedule 5.19, nor the Company has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19

has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and the Company has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The Company further represents that except as set forth on Schedule 5.19 hereto:

(i) there have been no terminations, partial terminations or discontinuations of contributions to any Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) the Company (including any subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) no circumstances exist pursuant to which the Company could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the Company that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the Company.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the Company is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it other than violations that would not have a Material Adverse Effect on the Company; and except to the extent set forth on Schedule 5.10 or 5.13, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Company and the Stockholders, threatened against or affecting, the Company, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by the Company, and to the knowledge of the Company and the Stockholders there is no basis for any such claim, action, suit or proceeding. The Company has conducted and is now conducting its business in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations.

5.22 TAXES.

(a) The Company has timely filed all requisite Federal, state and other Tax Returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims pending against any of them for federal, state and other Taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for Taxes, whether pending or threatened, has been received. All Tax, including interest and penalties (whether or not shown on any Tax Return), owed by the Company has been paid. The amounts shown as accruals for Taxes on the Company Financial Statements are sufficient for the payment of all Taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income Tax Returns and franchise Tax Returns of Company for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22 or have otherwise been delivered to IES. The Company has a taxable year ended December 31. Except as set forth on Schedule 5.22, the Company uses the accrual method of accounting for income tax purposes, and the Company's methods of accounting have not changed in the past five years. The Company is not an investment Company as defined in Section 351(e)(1) of the Code. The Company is not and has not during the last five years been a party to any tax sharing agreement or agreement of similar effect. Except as set forth on Schedule 5.22, the Company is not and has not during the last five years been a member of any consolidated group. The Company has not received, been denied, or applied for any private letter ruling during the last ten years.

(b) The Stockholders made a valid election under the provisions of Subchapter S of the Code and the Company has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The Stockholders shall pay, and they hereby indemnify IES and the Company against, all income taxes payable with respect to the Company's operations for all periods through and including the Consummation Date.

5.23 NO VIOLATIONS; NO CONSENT REQUIRED, ETC.

(a) The Company is not in violation of any charter document. Neither the Company nor, to the best knowledge of the Company and the Stockholders, any other party thereto, is in default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16 (the "Material Documents").

(b) The execution and delivery of this Agreement by each of the Company and the Stockholders do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under any

of the terms, conditions or provisions of (i) the Charter Documents of the Company, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its properties or assets, or (iii) any Material Document to which the Company or any of the Stockholders is now a party or by which any of the Stockholders or the Company or any of its properties or assets may be bound or affected. The consummation by the Company and the Stockholders of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except as set forth on Schedule 5.23 and except for the Hart-Scott Act, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by the Company and the Stockholders of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by the Company and the Stockholders of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filing in connection with the IPO of a registration statement on Form S-1 with the SEC pursuant to the 1933 Act, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filing required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company and the Stockholders or the consummation by the Company and the Stockholders of the transactions contemplated hereby.

(e) Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the Company or IES of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the Company from freely providing services or selling products to any other customer or potential customer of the Company, IES or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the Company is not now a party to any governmental contract subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25 or as otherwise contemplated hereby, there has not been:

- (i) any Material Adverse Change in the Company;
- (ii) any damage, destruction or loss (whether or not covered by insurance), alone or in the aggregate, which has caused a Material Adverse Effect on the Company;
- (iii) any change in the authorized capital of the Company or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;
- (iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the Company except for distributions that would have been permitted after the date hereof under Section 7.3(iii) hereof,
- (v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its officers, directors, Stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;
- (vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, which has caused a Material Adverse Effect on the Company;
- (vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of Company to any person, including, without limitation, the Stockholders and their affiliates, except inventory sold or transferred in the ordinary course of business;
- (viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the Company, including without limitation any indebtedness or obligation of any Stockholders or any affiliate thereof;
- (ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the material assets, property or rights of the Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;
- (x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the Company's business;

(xi) any waiver of any material rights or claims of the Company;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the Company is a party;

(xiii) any transaction by the Company outside the ordinary course of its business;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the Company other than in the ordinary course of business and other than distributions of real estate and other assets as permitted by this Agreement (including the Schedules hereto).

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The Company has delivered to IES an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the Company has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the Company and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the Company and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the Company and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the Company.

5.28 RELATIONS WITH GOVERNMENTS. None of the Company, any of the Stockholders, or any affiliate of any of them has given or offered anything of value to any governmental official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause the Company to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, to the extent they relate to the Company and the Stockholders, and the completed Director and Officer Questionnaires, with respect to any Stockholder who has completed such, and the completed S-1 Questionnaire furnished to IES by the Company and the Stockholders in connection herewith, do not contain an untrue statement of a material fact concerning the Company or the Stockholders or omit to state a material fact concerning the Company or the Stockholders necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished in writing by IES. If, during the period of time during which a prospectus is required to be delivered in connection with the IPO, the Company or the Stockholders become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of Company or Stockholders in this Agreement in any material respect, the Company and the Stockholders shall immediately give notice of such fact or circumstance to IES. However, subject to the provisions of Section 7.7, such notification shall not relieve either the Company or the Stockholders of their respective obligations under this Agreement, and, subject to the provisions of Section 7.7, at the sole option of IES, the truth and accuracy of any and all warranties and representations of the Company, or on behalf of the Company and of Stockholders at the date of this Agreement and on the Closing Date and on the Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The Company and the Stockholders acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur; (ii) that neither IES or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the Company, the Stockholders or any other person affiliated or associated with the Company for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of Stockholders to enter into this Agreement, or to vote in favor of or consent to the proposed purchase and sale of the Company Stock, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to IES or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the Company has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

5.31 NO WARRANTIES OR INSURANCE. Except as set forth on Schedule 5.31, the Company has no liability to any person under any warranty and the Company does not offer or sell insurance or consumer protection plans or other arrangements that could result in the Company being required to make any payment to or perform any service for any person.

5.32 INTEREST IN CUSTOMERS AND SUPPLIERS AND RELATED PARTY TRANSACTIONS. Except as described on Schedule 5.32, no Stockholder, officer, director or Affiliate of the Company (i) possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company, or (ii) is or will be a party to an agreement or relationship, that involves the receipt by such person of compensation or property from the Company other than through a customary employment relationship.

5.33 REGISTRATION STATEMENT. To the best of the Company's and the Stockholders' knowledge, none of the information supplied or to be supplied by the Company specifically for inclusion in the Registration Statement contained or will contain any untrue statement of a material fact concerning the Company or the Stockholders or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein concerning the Company or the Stockholders, in light of the circumstances under which they are made, not misleading. The Company shall have the right to review and approve in advance any statements made about the Company in the Registration Statement.

(B) Representations and Warranties of Stockholders.

Each Stockholder severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and on the Consummation Date, and that the representations and warranties set forth in Section 5(B) shall survive the Consummation Date.

5.34 AUTHORITY; OWNERSHIP. Such Stockholder has the full legal right, power and authority to enter into this Agreement. Such Stockholder owns beneficially and of record all of the shares of the Company Stock identified on Annex I hereto as being owned by such Stockholder, and, such Company Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.35 PREEMPTIVE RIGHTS. Such Stockholder does not have, or hereby waives, any preemptive or other right to acquire shares of Company Stock or IES Stock that such Stockholder has or may have had. Nothing herein, however, shall limit or restrict the rights of any Stockholder to acquire IES Stock pursuant to (i) this Agreement or (ii) any outstanding option granted by IES.

5.36 NO COMMITMENT TO DISPOSE OF IES STOCK. No Stockholder is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of IES Stock received as described in Section 3.1.

6. REPRESENTATIONS OF IES

Except as otherwise qualified below, IES represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.7 hereof, shall be true at the time of Closing and the Consummation Date, and that such representations and warranties shall survive the Consummation Date for a period of eighteen months (the last day of such period being the "Expiration Date"), except that solely for purposes of determining whether a claim for indemnification under Section 11.2(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the Stockholders actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

IES acknowledges that in purchasing the shares of Company Stock, it is relying upon its own independent investigation as well as the representations and warranties of the Company and the Stockholders as set forth in this Agreement. Except as set forth herein, the Company and the Stockholders expressly disclaim any representation or warranty (express, implied or otherwise) relating to the condition, assets or business of the Company and any subsidiary including, without limitation, any warranty of merchantability or fitness for a particular purpose except as expressly set forth herein.

6.1 DUE ORGANIZATION. IES is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to carry on its business as it is now being conducted and as contemplated by the IES Plan of Organization. IES is duly qualified or authorized to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or authorization necessary, except where the failure to be so qualified or authorized to do business would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as proposed to be amended, of IES (the "IES Charter Documents") are attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The officers of IES executing this Agreement have the authority to enter into and bind IES to the terms of this Agreement and (ii) IES has the full legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby. All corporate acts and other proceedings required to have been taken by IES to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken. A copy of the resolutions adopted by the Board of Directors of IES, which approve this Agreement and the transactions contemplated hereby in all respects, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the date hereof, is attached hereto in Annex II.

6.3 CAPITAL STOCK OF IES. The authorized capital stock of IES is as set forth in Section 1.3(ii). Immediately prior to the Closing Date and the Consummation Date, all of the issued and outstanding shares of the capital stock of IES will be as set forth in the Registration Statement, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind other than any restrictions described in the Registration Statement. All of the issued and outstanding shares of the capital stock of IES have been duly authorized and validly issued, are fully paid and nonassessable and such shares were offered, issued, sold and delivered by IES in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present Stockholder of IES.

6.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth in the Draft Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates IES to issue any of its authorized but unissued capital stock; and (ii) IES has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. The outstanding options, warrants or other rights to acquire shares of the stock of IES will be as described in the Registration Statement.

6.5 SUBSIDIARIES. IES has no subsidiaries. IES does not presently own, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and IES is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. The financial statements of IES included in the Draft Registration Statement (the "IES Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon), and the balance sheet included therein presents fairly the financial position of IES as of its date.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth in the Draft Registration Statement, IES has no material liabilities or obligations of any kind, character or description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business and consistent with past practices, liabilities or obligations set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth in the Draft Registration Statement, IES is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and its stockholders and, there are no claims, actions, suits or proceedings, pending or, to the knowledge of IES, threatened

against or affecting, IES, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. IES has conducted and is conducting its businesses in compliance in all material respects with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation, in any material respect, of any of the foregoing.

6.9 NO VIOLATIONS. (a) IES is not in violation of any IES Charter Document. Neither IES, nor, to the best knowledge of IES, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which IES is a party, or by which IES, or any of its properties, are bound (collectively, the "IES Documents").

(b) The execution and delivery of this Agreement by IES do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IES under any of the terms, conditions or provisions of (i) the IES Charter Documents, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IES or any of its properties or assets, or (iii) any IES Document. The consummation by IES of the transactions contemplated hereby will not result in any material violation, conflict, breach, right of termination or acceleration or creation of liens under any of the terms, conditions or provisions of the items described in clauses (i) through (iii) of the preceding sentence, subject, in the case of the terms, conditions or provisions of the items described in clause (iii) above, to obtaining (prior to the Effective Time) such consents as may be required from commercial lenders, lessors or other third parties.

(c) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii) any filings required under the Hart-Scott Act in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, none of the IES Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to the consummation by IES of any of the transactions contemplated hereby in order to remain in full force and effect, and consummation by IES of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any material right or benefit.

(d) Except for (i) the filings with the SEC pursuant to the 1933 Act in connection with the IPO and the purchase and sale of the Company Stock, (ii) the declaration of the effectiveness thereof by the SEC and filings with various state blue sky authorities, and (iii)

any filings required under the Hart-Scott Act and under state securities laws in connection with the purchase and sale of the Company Stock or the capital stock of the Other Founding Companies, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IES or the consummation by IES of the transactions contemplated hereby.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by IES and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of IES and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of IES.

6.11 IES STOCK. At the time of issuance thereof and delivery to the Stockholders, the IES Stock to be delivered to the Stockholders pursuant to this Agreement will constitute valid, duly authorized and legally issued shares of IES, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the IES Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL, other than the Restricted Common Stock. The IES Stock issued and delivered to the Stockholders shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The shares of IES Stock to be issued to the Stockholders pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. IES has not entered and will not enter into any agreement with any of the Founding Companies or any of the Stockholders of the Founding Companies or IES other than the Other Agreements and the agreements contemplated by each of the Other Agreements and the Registration Statement, including the employment agreements, leases and Indemnification Agreements referred to herein or entered into in connection with the transactions contemplated hereby and thereby.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. IES was formed in June 1997 and has conducted only limited operations since that time. IES has conducted no material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Except as described in the Draft Registration Statement, IES does not own and has not at any time owned any real property or any material personal property and is not a party to any other material agreement other than the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 RELATIONS WITH GOVERNMENTS. Neither IES nor any of its affiliates has given or offered anything of value to any government official, political party or candidate for government office nor has it or any of them otherwise taken any action which would cause IES to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any law of similar effect.

6.15 DISCLOSURE. The Draft Registration Statement delivered to the Company and the Stockholders, together with this Agreement and the information furnished to the Company and the Stockholders in connection herewith, does not as of the date hereof contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the Company or the Stockholders for inclusion in the Registration Statement.

6.16 OTHER AGREEMENTS. The Other Agreements have been duly authorized, executed and delivered by IES and constitute the legal, valid and binding obligation of IES enforceable against IES in accordance with their respective terms. The terms and conditions of the Other Agreements are identical in all material respects to the terms and conditions in this Agreement, except for differences reflecting the parties, Annex I and the schedules hereto.

6.17 DRAFT REGISTRATION STATEMENT. The Draft Registration Statement and the Registration Statement comply as to form in all material respects with the requirements of the Form S-1 Registration Statement and applicable requirements under Federal laws and regulations, provided that the foregoing does not apply to any information that the Company and the Stockholders have furnished to IES specifically for inclusion in the Registration Statement.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE.

(a) Between the date of this Agreement and the Consummation Date, the Company will afford to the officers and authorized representatives of IES reasonable access during normal business hours to all of the Company's sites, properties, books and records and will furnish IES with such additional financial and operating data and other information as to the business and properties of the Company as IES may from time to time reasonably request. The Company will cooperate with IES, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. IES, the Stockholders and the Company will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Company as confidential in accordance with the provisions of Section 14 hereof.

(b) Between the date of this Agreement and the Consummation Date, IES will afford to the officers and authorized representatives of the Company access to all of IES's sites, properties, books and records and will furnish the Company with such additional financial and operating data and other information as to the business and properties of IES as the Company may from time to time reasonably request. IES will cooperate with the Company, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The Company will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Consummation Date, the Company will, except as set forth on Schedule 7.2:

- (i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;
- (ii) use all commercially reasonable efforts to maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;
- (iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;
- (iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;
- (v) use its commercially reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the Company;
- (vi) use reasonable efforts to maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;
- (vii) maintain present debt and lease instruments in accordance with their terms and not enter into new or amended debt or lease instruments without the knowledge and consent of IES (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of IES if such replacement instruments are on terms at least as favorable to the Company as the instruments being replaced;

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

(ix) maintain the Company's cash at a level equal to or above the minimum level of cash required to be maintained as described in Annex I hereto.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Consummation Date, the Company will not, without prior written consent of IES:

(i) make any change in its Charter Documents;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted pursuant to the terms and conditions for equity distributions described in Annex I, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of two percent (2%) of the Company's revenues for fiscal 1996;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of two percent (2%) of the Company's revenues for fiscal 1996 necessary or desirable for the conduct of the businesses of the Company, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) except as set forth in Schedule 7.3(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business and other than distributions of real estate and other assets as permitted in this Agreement (including the Schedules hereto);

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the Company, provided that the Company may negotiate and adjust bills and accounts in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) amend or terminate any material agreement, permit, license or other right of the Company; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the Stockholders, the Company, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than IES or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the Company or a merger, consolidation or business combination of the Company.

7.5 AGREEMENTS. Except as disclosed on Schedule 7.5, the Stockholders and the Company shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the Company and any employee listed on Schedule 9.12 hereto and (ii) except as otherwise provided in this Agreement, any existing agreement between the Company and any Stockholder, on or prior to the Consummation Date provided that nothing herein shall prohibit or prevent the Company from paying (either prior to or on the Closing Date) notes or other obligations from the Company to the Stockholders in accordance with the terms thereof, which terms have been disclosed to IES. Such termination agreements are listed on Schedule 7.5 and copies thereof shall be attached thereto.

7.6 NOTIFICATION OF CERTAIN MATTERS. The Stockholders and the Company shall give prompt notice to IES upon obtaining knowledge of (i) the occurrence or non-occurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty of the Company or the Stockholders contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any Stockholder or the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. IES shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of IES contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of IES to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.6 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.7, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules or which may have been omitted from the schedules previously provided by the Company; provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the Company that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on the Company may be made unless IES consents to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by IES that constitutes or reflects an event or occurrence that would have a Material Adverse Effect on IES may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.7. In the event that the Company seeks to amend or supplement a Schedule pursuant to this Section 7.7 to reflect an item not known to the Company or the Stockholders at the time of entering into this Agreement or an event occurring after the date of this Agreement, and IES does not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that IES seeks to amend or supplement a Schedule pursuant to this Section 7.7 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No amendment of or supplement to

a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.8 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The Company and the Stockholders shall furnish or cause to be furnished to IES and the Underwriters all of the information concerning the Company and the Stockholders required for inclusion in, and will cooperate with IES and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The parties hereto agree that the disclosure of information with respect to the Company and its Stockholders in the Registration Statement and while marketing the securities of IES in the IPO shall not be a violation of any confidentiality agreement, including Article 14 of this Agreement, among the parties hereto or their officers or stockholders. The Company and the Stockholders agree promptly to advise IES if at any time during the period in which a prospectus relating to the offering is required to be delivered under the 1933 Act, they discover that any information contained in the prospectus concerning the Company or the Stockholders becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Subject to the Company's right to review and approve such information in the Registration Statement set forth in Section 5.33 above, only insofar as the information relates solely to the Company or the Stockholders and is provided by them to IES specifically for inclusion in the Registration Statement, the Company represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the Company and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.9 FINAL FINANCIAL STATEMENTS. The Company shall provide at least 10 days prior to the Consummation Date the unaudited consolidated balance sheets of the Company as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the Company for all fiscal quarters ended after the Balance Sheet Date, disclosing no Material Adverse Change in the Company or change which would cause a Material Adverse Effect in the financial condition of the Company or the results of its operations from the financial statements as of the Balance Sheet Date, except for the transactions permitted pursuant to the terms and conditions for equity distributions described in Annex I. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the Company for the periods indicated therein.

7.10 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

7.11 AUTHORIZED CAPITAL. Prior to the Consummation Date, IES shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for stock splits, such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the IES Stock and any changes necessary or advisable in order to permit the delivery of the opinion contemplated by Section 8.12 hereof.

7.12 COMPLIANCE WITH THE HART-SCOTT ACT. All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the Stockholders and the Company shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by IES shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by IES. The obligation of each party to consummate the transactions contemplated by this Agreement is subject to the expiration or termination of the waiting period under the Hart-Scott Act, if applicable.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of the Stockholders and the Company with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 8.9. The obligations of the Stockholders and the Company with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the condition set forth in Section 8.9. As of the Closing Date or, with respect to the conditions set forth in Section 8.9, as of the Consummation Date, if any such conditions have not been satisfied, any one or more Stockholders owning 51% or more of the Company Stock shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering the certificates representing Company Stock as of the Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of IES contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS.

All representations and warranties of IES contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by IES on or before the Closing Date and the Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Consummation Date, respectively, and signed by the President or any Vice President of IES shall have been delivered to the Stockholders.

8.2 SATISFACTION.

All actions, proceedings, instruments and documents that are not within the control of the Company or the Stockholders and that are required to carry out this Agreement or incidental hereto shall be reasonably satisfactory to the Company and its counsel. The Stockholders and the Company shall be satisfied based on information then known to them that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not as they relate to the Company or the Stockholders contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the Company or Stockholders shall have failed to inform IES in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION.

No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

8.4 OPINION OF COUNSEL.

The Company shall have received an opinion from counsel for IES, dated the Consummation Date, in the form annexed hereto as Annex III.

8.5 REGISTRATION STATEMENT.

The Registration Statement shall have been declared effective by the SEC and not subject to any stop order proceedings and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of IES Stock to be received by the Stockholders is not less than the Minimum Value set forth on Annex I.

8.6 CONSENTS AND APPROVALS.

All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of Company as a result of which Company deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. IES shall have delivered to the Company a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which IES is authorized to do business, showing that IES is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for IES for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to IES which would constitute and no change in the disclosures in the Draft Registration Statement shall have been made which reflects a Material Adverse Effect on IES.

8.9 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The Company shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of IES, certifying the truth and correctness of attached copies of IES's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and, if required, the Stockholders of IES approving IES's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have entered into an employment agreement substantially in the form of Annex V hereto.

8.12 TAX MATTERS. The Stockholders shall have received an opinion of Andrews & Kurth L.L.P. or other tax advisor reasonably acceptable to the Stockholders that the IES Plan of Organization will qualify as a tax-free transfer of property under Section 351 of the Code and that the Stockholders will not recognize gain to the extent the Stockholders exchange stock of the Company for IES Stock (but not cash or other property) pursuant to the IES Plan of Organization.

8.13 OTHER FOUNDING COMPANIES. If any two of the three Founding Companies with the highest revenues for the most recent fiscal year fail or refuse or are otherwise unable or unwilling to consummate the transactions described in the Other Agreements, the Company may terminate this Agreement and all previously delivered stock certificates representing Company Stock shall be returned to the Stockholders.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF IES

The obligations of IES with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions, except Section 9.13. The obligations of IES with respect to actions to be taken on the Consummation Date are subject to the satisfaction or waiver on or prior to the Consummation Date of the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13. As of the

Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.2, 9.4 and 9.13, as of the Consummation Date, if any such conditions have not been satisfied, IES shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE AND OBLIGATIONS.

All the representations and warranties of the Stockholders and the Company contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Stockholders and the Company on or before the Closing Date or the Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the Stockholders shall have delivered to IES certificates dated the Closing Date and the Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock or the IPO.

9.3 SECRETARY'S CERTIFICATE. IES shall have received a certificate, dated the Closing Date and signed by the secretary of the Company, certifying the truth and correctness of attached copies of the Company's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the Stockholders approving the Company's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the Company which would constitute a Material Adverse Effect, and the Company shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the Company to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The Stockholders shall have delivered to IES an instrument dated the Closing Date which shall be effective only upon the occurrence of the Consummation Date releasing the Company from (i) any and all claims of the Stockholders against the Company and IES and (ii) obligations of the Company and IES to the Stockholders, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the Stockholders, (y) continuing obligations to Stockholders relating to their employment by the Company and (z) obligations arising under this Agreement or the transactions contemplated hereby. In the event that the Consummation Date does not occur, then the release instrument referenced herein shall be void and of no further force or effect.

9.6 SATISFACTION. All actions, proceedings, instruments and documents that are not within the control of IES and that are required to carry out the transactions contemplated by this Agreement or incidental hereto shall have been approved by counsel to IES.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the Company and the Stockholders (and between the Company and entities controlled by the Stockholders) shall have been canceled effective prior to or as of the Consummation Date.

9.8 OPINION OF COUNSEL. IES shall have received an opinion from Counsel to the Company and the Stockholders, dated the Closing Date, substantially in the form annexed hereto as Annex IV.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the purchase and sale of the Company Stock and no governmental agency or body shall have taken any other action or made any request of IES as a result of which IES deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The Company shall have delivered to IES a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the Company's state of incorporation and, unless waived by IES, in each state in which the Company is authorized to do business, showing the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Company for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex V hereto.

9.13 CLOSING OF IPO. The closing of the sale of the IES Stock to the Underwriters in the IPO shall have occurred simultaneously with the Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each Stockholder shall have delivered to IES a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 RESIGNATIONS OF DIRECTORS. Any directors of the Company, other than those identified on Schedules 2.1, shall have resigned as directors of the Company.

10. COVENANTS OF IES AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS.

IES shall use reasonable efforts to have the Stockholders released from any and all guarantees of the Company's indebtedness, including bond obligations, identified on Schedule 10.1. In the event that IES cannot obtain such releases from the lenders of any such guaranteed indebtedness identified on Schedule 10.1 on or prior to 120 days subsequent to the Consummation Date, IES shall promptly pay off or otherwise refinance or retire such indebtedness such that the Stockholders' personal liability shall be released. IES will indemnify the Stockholders against any loss or damage suffered during the 120 day period as a result of the personal guarantees.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Consummation Date, IES shall not and shall not permit any of its Subsidiaries to undertake any act that would jeopardize the tax-free status of the exchange of Company Stock for IES Stock (but not cash or other property), including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the IES Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the Stockholders other than as described in the Registration Statement or as described in this Agreement.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The Company, if possible, or otherwise the Stockholders shall file or cause to be filed all income Tax Returns (federal, state, local or otherwise) of any Acquired Party for all taxable periods that end on or before the Consummation Date, and shall permit IES to review all such Tax Returns prior to such filings. Unless the Company is a C corporation, the Stockholders shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the Company Financial Statements) shown by such Returns to be due.

(ii) IES shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

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

(iv) Each of the Company, IES and each Stockholder shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the Draft Registration Statement shall be appointed as directors and elected as officers of IES, as and to the extent set forth in the Draft Registration Statement, promptly following the Consummation Date.

11. INDEMNIFICATION

The Stockholders and IES each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The Stockholders covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless IES and the Company at all times, from and after the date of this Agreement until the Expiration Date (provided that for purposes of Section 11.1(iii) below, the Expiration Date shall be the date on which the applicable statute of limitations expires), from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by IES or the Company as a result of or arising from (i) any breach of the representations and warranties of the Stockholders or the Company set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the Stockholders or the Company under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating solely to the Company or the Stockholders which was based upon information provided to IES or its counsel by the Company or the Stockholders and is contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the Company or the Stockholders

required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of IES or the Company to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the Stockholders provided, in writing, corrected information to IES counsel and to IES for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no Stockholder shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent solely attributable to a breach of any representation, warranty or agreement made herein individually by any other Stockholder.

IES acknowledges and agrees that other than the representations and warranties of the Company or the Stockholders specifically contained in this Agreement, there are no representations or warranties of the Company or the Stockholders, either express or implied, with respect to the transactions contemplated by this Agreement, the Company or its assets, liabilities and business.

IES further acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated in this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 11. IES hereby waives to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action it or any indemnified person may have against the Company or any Stockholder relating to this Agreement or the transactions arising under or based upon any federal, state, local or foreign statute, law, rule, regulation or otherwise.

11.2 INDEMNIFICATION BY IES. IES covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the Stockholders as a result of or arising from (i) any breach by IES of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any breach of any agreement on the part of IES under this Agreement; or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to IES or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to IES or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading, except to the extent such relates to the Company or the Stockholders.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall pay the Indemnified Party for the settlement amount and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the

Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement. Any indemnity payment under this Section 11 shall be treated as an adjustment to the exchange consideration for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliate causes any such payment not to be treated as an adjustment to the exchange consideration for U.S. Federal Income Tax purposes.

11.5 LIMITATIONS ON INDEMNIFICATION. IES and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the Stockholders until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the Stockholders shall exceed the greater of (a) 3.0% of the sum of (i) the cash paid to the Stockholders pursuant to Section 1.2 plus (ii) the value of the IES Stock delivered to the Stockholders pursuant to Section 1.2 (calculated as provided in this Section 11.5), or (b) \$50,000 (the "Indemnification Threshold"). Stockholders shall not assert any claim for indemnification hereunder against IES until such time as, and solely to the extent that, the aggregate of all claims which Stockholders may have against IES shall exceed \$50,000. Even after the \$50,000 threshold for IES or the Indemnification Threshold for a Stockholder has been met, all claims must be made in \$10,000 increments, which claims may be cumulated in order to meet such \$50,000 and \$10,000 thresholds. For purposes of this paragraph, the IES Stock delivered to the Stockholders shall be valued at the initial public offering price as set forth in the Registration Statement.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no Stockholder shall be liable under this Section 11 for an amount which exceeds eighty-five percent (85%) of the amount of proceeds received by such Stockholder (valued as of the Consummation Date) in connection with the purchase and sale of the Company Stock. For purposes of crediting Stockholders for payments made pursuant to Section 11.1, the IES Stock shall be valued at the greater of (a) the initial public offering price as set forth in the Registration Statement and (b) the average of the closing prices of the IES Stock (rounded to the nearest one thousandth) on the five trading days

preceding the date on which a claim for indemnification is made, as reported in The Wall Street Journal.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Consummation Date solely:

- (i) by mutual consent of the boards of directors of IES and the Company;
- (ii) by the Stockholders or the Company (acting through its board of directors), on the one hand, or by IES (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by February 28, 1998, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Consummation Date;
- (iii) by the Stockholders or the Company, on the one hand, or by IES, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Consummation Date or by the Stockholders or the Company, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable, or by IES, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Consummation Date, as applicable; or
- (iv) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.7 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The Stockholders will not, without the prior written consent of IES, for a period of two (2) years following the Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, 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 or operation or related services business in direct competition with IES or any of the subsidiaries thereof, within 100 miles of where the Company or any of its subsidiaries conducted business prior to the Effective Time (the "Territory");

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

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Consummation Date, a customer of IES or any subsidiary thereof, of the Company or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with IES within the Territory;

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

(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 any Stockholder from acquiring as a passive investment (i) not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange, the NASDAQ Stock Market or over-the-counter, or (ii) not more than five percent (5%) of the capital stock of a competing business whose stock is not publicly traded if the Board of Directors of IES consents to such acquisition.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced by IES in the event of breach by such Stockholder, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the Stockholders in light of the activities and business of IES and the subsidiaries thereof on the date of the execution of this Agreement and the current plans of IES; but it is also the intent of IES and the Stockholders that such covenants be construed and enforced in accordance with the changing activities, business and locations of IES and its subsidiaries throughout the term of this covenant.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 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.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 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 any Stockholder against IES or any subsidiary thereof, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two (2) years stated at the beginning of this Section 13, during which the agreements and covenants of each Stockholder made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such Stockholder is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The Stockholders recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the Company, the Other Founding Companies, and/or IES, such as operational policies, customer lists, and pricing and cost policies that are valuable, special and unique assets of the Company's, the Other Founding Companies' and/or IES's respective businesses. The Stockholders agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of IES, (b) following the Closing, such information may be disclosed by the Stockholders as is required in the course of performing their duties for IES or the Company and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the Stockholders, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that

prior to disclosing any information pursuant to this clause (ii), the Stockholders shall, if possible, give prior written notice thereof to IES and provide IES with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the Stockholders of the provisions of this Section, IES shall be entitled to an injunction restraining such Stockholders from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting IES from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, Stockholders shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the Company.

14.2 IES. IES recognizes and acknowledges that it had in the past and currently has access to certain confidential information of the Company, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the Company's business. IES agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, it will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the Company, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.2, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of IES, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), IES shall, if possible, give prior written notice thereof to the Company and the Stockholders and provide the Company and the Stockholders with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of IES as a publicly held entity after the IPO. In the event of a breach or threatened breach by IES of the provisions of this Section, the Company and the Stockholders shall be entitled to an injunction restraining IES from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the Company and the Stockholders from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Consummation Date.

14.5 RETURN OF INFORMATION. If the transactions contemplated by this Agreement are not consummated, IES will return or destroy all confidential information regarding the Company.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Unless otherwise agreed by IES, except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the Stockholders or family members, or trusts in which a Stockholder is both the grantor and the beneficiary, the trustees of which so agree), for a period of two years from the Closing, except pursuant to Section 17 hereof, none of the Stockholders shall sell, assign, exchange, transfer, appoint, or otherwise dispose of any shares of IES Stock received by the Stockholders pursuant to this Agreement. The certificates evidencing the IES Stock delivered to the Stockholders pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as IES may deem necessary or appropriate:

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

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The Stockholders acknowledge that the shares of IES Stock to be delivered to the Stockholders pursuant to this Agreement have not been and will not be registered under the 1933 Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the 1933 Act. The IES Stock to be acquired by such Stockholders pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The Stockholders covenant, warrant and represent that none of the shares of IES Stock issued to such Stockholders will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and

regulations of the SEC. All the IES Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The Stockholders are able to bear the economic risk of an investment in the IES Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment. Each Stockholder has substantial knowledge and experience in making investment decisions of this type (or is relying on qualified purchaser representatives with such knowledge and experience in making this decision), and is capable, either individually or with such purchaser representatives, of evaluating the merits and risks of this investment. The Stockholders party hereto have had an adequate opportunity to ask questions and receive answers from the officers of IES concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of IES, the plans for the operations of the business of IES, the business, operations and financial condition of the Founding Companies other than the Company, and any plans for additional acquisitions and the like. The Stockholders have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction. Except as set forth on Schedule 16.2, each Stockholder is an "accredited investor" as defined in Rule 501(a) of the 1933 Act.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Consummation Date, whenever IES proposes to register any IES Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf or other registration of shares to be used as consideration for acquisitions of additional businesses by IES and (ii) registrations relating to employee benefit plans, IES shall give each of the Stockholders prompt written notice of its intent to do so. Upon the written request of any of the Stockholders given within 10 days after receipt of such notice, IES shall cause to be included in such registration all of the IES Stock issued to such Stockholders pursuant to this Agreement (including any stock issued as or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by IES as a stock split, dividend or other distribution with respect to, or in exchange for, or in replacement of such IES Stock) which any such Stockholder requests, other than shares of IES Stock which may be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act, and other than shares of IES Stock that have been theretofore sold by the Stockholder in accordance with the 1933 Act, provided that IES shall have the right to reduce pro rata the number of shares of each Selling Stockholder included in such registration to the extent that inclusion of such shares could, in the written opinion of tax counsel to IES or its independent auditors, jeopardize the status of the

transactions contemplated hereby and by the Registration Statement as a tax-free organization under Section 351 of the Code. In addition, if IES is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than IES is greater than the number of such shares which can be offered without adversely affecting the success of the offering, IES may reduce pro rata (among the Stockholders and all other selling security holders in the offering) the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter. If any Stockholder disapproves of the terms of the underwriting, that Stockholder may elect to withdraw therefrom by written notice to IES and the managing underwriter. That Stockholder's shares of IES Stock so withdrawn shall also be withdrawn from registration; provided, however, that, if by the withdrawal of such shares a greater number of shares of IES Stock held by other Stockholders may be included in such registration, then IES shall offer to all other Stockholders of IES the right to include additional shares in the same proportion used in effecting the above limitations.

17.2 REGISTRATION PROCEDURES. Whenever IES is required to register shares of IES Stock pursuant to Sections 17.1, IES will, as expeditiously as possible:

(i) Prepare and file with the SEC a registration statement with respect to such shares and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements or term sheets thereto, IES will furnish a representative of the Stockholders with copies of all such documents proposed to be filed) as promptly as practical;

(ii) Notify the Stockholders of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(iii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days, cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 474 under the 1933 Act; and comply with the provisions of the 1933 Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(iv) Furnish to each Stockholder who so requests such number of copies of such registration statement, each amendment and supplement thereto and the prospectus included in such registration statement (including each preliminary prospectus and any

term sheet associated therewith), and such other documents as such Stockholder may reasonably request in order to facilitate the disposition of the relevant shares;

(v) Make "generally available to its security holders" (within the meaning of Rule 158) an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder no later than 90 days after the end of the 12-month period beginning with the first day of IES' first fiscal quarter commencing after the effective date of the registration statement;

(vi) Make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(vii) If requested by the managing underwriter or underwriters, if any, or any participating Stockholder, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or any participating Stockholder, as the case may be, reasonably requests to be included therein, including, without limitation, information with respect to the number of shares of IES Stock being sold by participating Stockholders to any underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the shares of IES Stock to be sold in such offering, and promptly make all required filings of such prospectus by supplement or post-effective amendment;

(viii) Make available for inspection by participating Stockholders, any underwriter participating in any disposition pursuant to such registration statement, and the counsel retained by the participating Stockholders, counsel for the underwriters and any accountant or other agent retained by participating Stockholders or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of IES (the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause IES' officers, directors and employees to supply all information reasonably requested by any such Inspectors in connection with such registration statement; provided, that records which IES determines, in good faith, to be confidential and which IES notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after delivery of sufficient notice to IES to enable IES to contest such subpoena or order;

(ix) Take all other steps reasonably necessary to effect the registration of the shares of IES Stock contemplated hereby;

(x) Use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Stockholders, and to keep such registration or qualification effective during the period such registration statement is required to be kept effective, provided that IES shall not be required to become subject to taxation, to qualify generally to do business or to file a general consent to service of process in any such states or jurisdictions;

(xi) Cause all such shares of IES Stock to be listed or included not later than the date of the first sale of shares of IES Stock under such registration statement on any securities exchanges or trading systems on which similar securities issued by IES are then listed or included; and

(xii) Notify each Stockholder at any time when a prospectus relating thereto is required to be delivered under the 1933 Act within the period that IES is required to keep the registration statement effective of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect), together with any associated term sheet, contains an untrue statement of a material fact or omits to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading, and, at the request of such Stockholder, IES promptly will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the covered shares, such prospectus will not contain an untrue statement of material fact or omit to state any fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading.

All expenses incurred in connection with the registration under this Article 17 and compliance with securities and blue sky laws (including all registration, filing, listing, escrow agent, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by IES.

17.3 INDEMNIFICATION.

(a) In connection with any registration under Section 17.1, IES shall indemnify, to the extent permitted by law, each selling Stockholder (an "Indemnified Party") against all losses, claims, damages, liabilities and expenses arising out of or resulting from any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or associated term sheet or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as the same are caused by or contained in or omitted from any information furnished in writing to IES by such Indemnified Party expressly for use therein or by any Indemnified Parties' failure to deliver a copy of the registration statement or prospectus or any amendment or supplements thereto after IES has furnished such Indemnified Party with a sufficient number of copies of the same.

(b) In connection with any registration under Section 17.1, each Stockholder shall furnish to IES in writing such information concerning the Stockholder and his or her proposed offering of shares as is reasonably requested by IES for use in any such registration statement or prospectus and will indemnify, to the extent permitted by law, IES, its directors and officers and each person who controls IES (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated in the registration statement or prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is contained in or omitted from information so furnished in writing to IES by such Stockholder expressly for use in the registration statement. Notwithstanding the foregoing, the liability of a Stockholder under this Section 17.3 shall be limited to an amount equal to the net proceeds actually received by such Stockholder from the sale of the relevant shares covered by the registration statement.

(c) Any person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified parties' reasonable judgment, a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Any failure to give prompt notice shall deprive a party of its right to indemnification hereunder only to the extent that such failure shall have adversely affected the indemnifying party. If the defense of any claim is assumed, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). An indemnifying party that is not entitled or elects not, to assume the defense of a claim, will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 covering an underwritten registered offering, IES and each participating Stockholder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of IES's size and investment stature, including indemnification; provided, however, that the Stockholder shall be exempt and excluded from any indemnification of the managing underwriters other than with respect to information provided by the respective Stockholders to IES or the managing underwriters.

17.5 TRANSFER OF RIGHTS. The right to cause IES to register shares of IES Stock under this Agreement may be assigned to a transferee or assignee of any Stockholder to the extent that such transferee or assignee is a member of the immediate family of a Stockholder, or a trust or partnership for the benefit of any such persons.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of IES stock to the public without registration, IES agrees to use its reasonable efforts to:

(i) make and keep public information regarding IES available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of six years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of IES under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a Stockholder owns any restricted IES Common Stock, furnish to each Stockholder forthwith upon written request a written statement by IES as to its compliance with the current public information requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of IES, and such other reports and documents so filed as a Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing a Stockholder to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The Company, Stockholders and IES shall each deliver or cause to be delivered to the other on the Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with IES on and after the Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of IES, and the heirs and legal representatives of the Stockholders.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company and IES and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Stockholders, the Company and IES, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the Company shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. A telecopied facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each party to the terms hereof. However, each party agrees to return to the other parties an original, duly executed counterpart of this Agreement promptly after delivery of a telecopied facsimile thereof.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, IES will pay the fees, expenses and disbursements of IES and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by IES under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Andrews & Kurth L.L.P., and any other person or entity retained by IES, and the costs of preparing the Registration Statement. Each Stockholder shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the purchase and sale of the Company Stock, other than Transfer Taxes, if any, imposed by the State of Delaware. Each Stockholder shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each Stockholder acknowledges that he, and not the Company or IES, will pay all taxes due by him upon receipt of the consideration payable pursuant to Section 1 hereof. The Stockholders acknowledge that the risks of the transactions contemplated hereby include tax risks, with respect to which the Stockholders are relying partially on the opinion contemplated by Section 8.12 hereof and representations by IES in this Agreement.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to IES addressed to it at:

Integrated Electrical Services, Inc.
2301 Preston
Houston, Texas 77003

with copies to:

John F. Wombwell
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(b) If to the Stockholders, addressed to them at their addresses set forth on the signature pages hereto, with copies to:

Cynthia Young
Wyatt Tarrant & Combs
2700 Citizens Plaza
Louisville, Kentucky 40202

(c) If to the Company, addressed to it at:

Thurman & O'Connell Corporation
7613 National Turnpike
P.O. Box 14182
Louisville, Kentucky 40214

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer same to the laws of another jurisdiction.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. No provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of IES, the Company and Stockholders who hold or held at least 51% of the Company Stock. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving IES Stock in connection with the purchase and sale of the Company Stock and each future holder of such IES Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INTEGRATED ELECTRICAL
SERVICES, INC.

By: /s/

Senior Vice President &
Chief Financial Officer

[Remainder of page intentionally left blank]

THURMAN & O'CONNELL
CORPORATION

By: /s/

Name:

Title:

/s/ JAMES D. THURMAN

James D. Thurman Shares Owned: 100
606 Lake Forest Parkway
Louisville, Kentucky 40245

/s/ LAWRENCE E. O'CONNELL

Lawrence E. O'Connell Shares Owned: 100
1409 Somerhill Way
Louisville, Kentucky 40223

ANNEX I

TO THE STOCK PURCHASE AGREEMENT
DATED AS OF OCTOBER 21, 1997
BY AND AMONG
INTEGRATED ELECTRICAL SERVICES, INC.
AND THURMAN & O'CONNELL CORPORATION
AND ITS STOCKHOLDERS

CONSIDERATION TO BE PAID TO THE STOCKHOLDERS

AGGREGATE CONSIDERATION TO BE PAID TO STOCKHOLDERS:

\$9,325,870 in cash and the value of outstanding common stock of Integrated Electrical Services, Inc. (IES) assuming a public offering price of \$14.00 per share, consisting of 499,600 shares of IES common stock and \$2,331,468 of cash, it being agreed that the actual amount of all shares shall remain unchanged while the cash payments described in this Annex I will depend on the actual initial public offering price of the common stock of IES in the IPO, which may be more or less than \$14.00 per share; provided, however that the aggregate consideration shall not be less than the minimum value set forth below. Such cash will be the cash consideration noted below multiplied by the actual initial public offering price per share divided by \$14.

Consideration to be paid to the STOCKHOLDERS:

Stockholder	Number of Company Shares Owned	Shares of IES Common Stock(1)	Cash
James D. Thurman	100	249,800	\$1,165,734
Lawrence E. O'Connell	100	249,800	1,165,734
	----- 200	----- 499,600	----- \$2,331,468
	=====	=====	=====
MINIMUM VALUE:	7,630,254		

(1) After giving effect to the proposed stock split described in the Draft Registration Statement.

S Corporations

1. All S Corporations may distribute any previously taxed earnings as of June 30, 1997, to the extent of nonoperating net assets (as disclosed in the Schedules to the definitive agreement) and excess cash, plus any remaining excess cash (as set forth on the next page). To the extent nonoperating assets and cash are not sufficient to fund a portion of the distribution of previously taxed earnings, the company may complete the distribution by issuing a note payable to shareholders which will be funded by IES as soon as practical after the consummation date.
2. In addition to 1 above, all S Corporations are entitled to distribute their net earnings and any capital contributions made from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

C Corporations

1. All C Corporations are entitled to their excess cash (as set forth on the next page) at June 30, 1997, along with nonoperating net assets (as disclosed in the Schedules to the definitive agreement) to be distributed to the shareholder(s).
2. In addition to 1 above, all C Corporations are entitled to distribute all net earnings after tax from July 1, 1997, through the consummation date. To the extent the company does not have sufficient cash available to distribute the net earnings from July 1, 1997, through the consummation date, the distribution may be in the form of a note payable to the shareholder(s) and will be funded by IES as soon as practical after the consummation date.
3. The distributions described in 1 above may not exceed the company's retained earnings as determined under generally accepted accounting principles at June 30, 1997, and the total of all distributions in 1 and 2 above may not reduce the Company's equity as determined under generally accepted accounting principles below the minimum cash requirements set forth on the next page.

	Cash and Cash Equivalents as of June 30, 1997	Minimum Cash Required	Excess Cash
Ace Electric, Inc.	130,028	30,000	100,028
Amber Electric, Inc.	759,329	90,000	669,329
Bexar Electric Company, Ltd.	782,000	190,000	590,000
Daniel Electrical Contractors, Inc.	1,200,831	100,000	1,100,831
Hatfield Electric, Inc.	-37,746	40,000	0
Haymaker Electric, Inc.	13,314	50,000	0
Houston-Stafford Electric, Inc.	3,251,114	150,000	3,101,114
Stark Investments, Inc.	395,827	150,000	245,827
Mills Electrical Contractors, Inc.	2,021,000	300,000	1,721,000
Muth Electric, Inc.	9,000	100,000	0
Pollock Electric, Inc.	14,960	90,000	0
Reynolds Electric Corp.	138,951	40,000	98,951
Rodgers Electric Company, Inc.	846,833	20,000	826,833
Summit Electric of Texas, Incorporated	32,129	60,000	0
Thomas Popp & Company	598,361	20,000	578,361
Thurman & O'Connell Corporation	1,479,550	30,000	1,449,550

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports dated October 15, 1997 on the financial statements of the following businesses included in or made a part of this registration statement: Integrated Electrical Services, Inc.; BW Consolidated, Inc. and Subsidiaries; Houston-Stafford Electric, Inc. and Consolidated Entity; Mills Electrical Contractors, Inc. and Subsidiary; Muth Electric, Inc.; Amber Electric, Inc.; Daniel Electrical Contractors, Inc. and Daniel Electrical of Treasure Coast, Inc.; Pollock Electric Inc.; Thurman & O'Connell Corporation; Haymaker Electric, Ltd.; and Summit Electric of Texas, Inc.; and to all references to our firm included in this registration statement.

ARTHUR ANDERSEN LLP

Houston, Texas
October 24, 1997

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1,000

6-MOS

DEC-31-1997		
JAN-01-1997		
JUN-30-1997		3,647
	0	
	10,294	
	385	
	2,531	
	17,296	3,062
	1,025	
	22,161	
13,004		0
	0	
	0	
	295	
22,161	6,534	
	37,508	
	37,508	
	30,098	
	35,080	
	0	
	0	
	82	
	2,420	
	942	
1,478		
	0	
	0	
	0	
	1,478	0
	0	
	0	

CONSENT

The undersigned hereby consents to being named in the Registration Statement (the "Registration Statement") on Form S-1 of Integrated Electrical Services, Inc. ("IES") as a director to be appointed after consummation of the initial public offering of IES.

IN WITNESS WHEREOF, the undersigned has executed this Consent effective as of the 20th day of October, 1997.

/s/ JERRY MILLS

Jerry Mills

CONSENT

The undersigned hereby consents to being named in the Registration Statement (the "Registration Statement") on Form S-1 of Integrated Electrical Services, Inc. ("IES") as a director to be appointed after consummation of the initial public offering of IES.

IN WITNESS WHEREOF, the undersigned has executed this Consent effective as of the 23rd day of October, 1997.

/s/ JON POLLOCK

Jon Pollock

CONSENT

The undersigned hereby consents to being named in the Registration Statement (the "Registration Statement") on Form S-1 of Integrated Electrical Services, Inc. ("IES") as a director to be appointed after consummation of the initial public offering of IES.

IN WITNESS WHEREOF, the undersigned has executed this Consent effective as of the 20th day of October, 1997.

/s/ BEN L. MUELLER

Ben L. Mueller

CONSENT

The undersigned hereby consents to being named in the Registration Statement (the "Registration Statement") on Form S-1 of Integrated Electrical Services, Inc. ("IES") as a director to be appointed after consummation of the initial public offering of IES.

IN WITNESS WHEREOF, the undersigned has executed this Consent effective as of the 21st day of October, 1997.

/s/ ROBERT STALVEY

Robert Stalvey

CONSENT

The undersigned hereby consents to being named in the Registration Statement (the "Registration Statement") on Form S-1 of Integrated Electrical Services, Inc. ("IES") as a director to be appointed after consummation of the initial public offering of IES.

IN WITNESS WHEREOF, the undersigned has executed this Consent effective as of the 23rd day of October, 1997.

/s/ BOB WEIK

Bob Weik

CONSENT

The undersigned hereby consents to being named in the Registration Statement (the "Registration Statement") on Form S-1 of Integrated Electrical Services, Inc. ("IES") as a director to be appointed after consummation of the initial public offering of IES.

IN WITNESS WHEREOF, the undersigned has executed this Consent effective as of the 22nd day of October, 1997.

/s/ RICHARD MUTH

Richard Muth