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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported):
May 12, 2006

INTEGRATED ELECTRICAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

001-13783
(Commission
File Number)

76-0542208
(IRS Employer
Identification No.)

1800 West Loop South, Suite 500
Houston, Texas
(Address of principal
executive offices)

77027
(Zip Code)

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

(Former name or former address, if changed since last report): Not applicable

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01 Entry into a Material Definitive Agreement

On May 12, 2006 (the "Effective Date"), Integrated Electrical Services, Inc. ("IES" or the "Company") and all of its domestic subsidiaries consummated the transactions contemplated by the Second Amended Joint Plan of Reorganization (the "Plan"), as confirmed on April 26, 2006 by the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "Bankruptcy Court"), pursuant to Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). A copy of the press release announcing our emergence from Chapter 11 is filed as Exhibit 99.1 hereto.

Described below are a number of material agreements entered into in connection with the Company's emergence from Chapter 11.

Revolving Exit Facility

As previously described in the Company's current report on Form 8-K, filed on February 15, 2006, in connection with the commencement of Chapter 11 proceedings, the Company accepted a financing commitment letter from Bank of America, N.A. ("BoFA") for a senior secured post-confirmation exit credit facility (the "Revolving Exit Facility"). The obligation of BoFA, and any other lenders who choose to participate in the Revolving Exit Facility, was subject to certain conditions, including, without limitation, the completion of definitive documentation.

On the Effective Date, all of the conditions to the provision of the Revolving Exit Facility were satisfied, and the Company and its subsidiaries entered into the Loan and Security Agreement, dated May 12, 2006, with BoFA, as collateral and administrative agent, and the other lenders party thereto (the "Loan and Security Agreement"). The Loan and Security Agreement provides for an aggregate credit amount of up to \$80 million, with a \$72 million sub-limit for letters of credit, for the purpose of refinancing the debtor-in-possession credit facility (the "DIP Facility") and providing letters of credit and financing subsequent to effectiveness of the Plan.

Loans under the Loan and Security Agreement will bear interest at LIBOR plus 3.5% or the base rate plus 1.5% on the terms set forth therein. In addition, the Company will be charged monthly in arrears (i) an unused line fee of either 0.5% or 0.375% depending on the utilization of the credit line, (ii) a letter of credit fee equal to 3.5% times the amount of all outstanding letters of credit and (iii) certain other fees and charges as specified in the Loan and Security Agreement.

The Loan and Security Agreement will mature two years after the closing date. The Loan and Security Agreement will be secured by first priority liens on substantially all of the Company's and its subsidiaries' existing and future acquired assets, exclusive of collateral provided to sureties, on the terms set forth in the Loan and Security Agreement. Each of the Company and its subsidiaries is obligated as a borrower or guarantor under the Loan and Security Agreement. The Loan and Security Agreement contains customary affirmative and negative covenants and certain financial covenants binding on the Company and its subsidiaries as described therein.

The Loan and Security Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference. The Pledge Agreement, dated May 12, 2006, by and among the Company, its subsidiaries, BoFA and the other parties thereto (the "Pledge Agreement"), is attached hereto as Exhibit 10.2 and is incorporated herein by reference. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the Loan and Security Agreement and the Pledge Agreement.

Term Exit Facility

As previously described in the Company's current report on Form 8-K, filed on February 15, 2006, in connection with the commencement of Chapter 11 proceedings, the Company accepted a commitment letter (the "Term Exit Commitment Letter") from Eton Park Fund, L.P. and an affiliate and Flagg Street Partners LP and affiliates (collectively, the "Term Exit Lenders") for a senior secured term loan in the amount of \$53 million (the "Term Exit Facility") for the purpose of refinancing the Company's 6.5% senior convertible notes due 2014 (the

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“Senior Convertible Notes”). The obligation of the Term Exit Lenders to provide the Term Exit Facility, was subject to certain conditions, including, without limitation, the completion of definitive documentation.

On the Effective Date, all of the conditions to the provision of the Term Exit Facility were satisfied, and the Company entered into the Term Loan Agreement, dated May 12, 2006 (the “Term Loan Agreement”), with the Term Exit Lenders. The loan under the Term Loan Agreement will bear interest at 10.75% per annum, subject to adjustment as set forth in the Term Loan Agreement. Interest will be payable in cash, in arrears, quarterly, provided that, until the third anniversary of the closing date, the Company, in its sole discretion, shall have the option to direct that interest be paid by capitalizing such interest as additional loans under the Term Loan Agreement. The Company has elected to capitalize interest for the initial interest period through December 31, 2006 and estimates that the initial adjusted interest rate will be 12.30% per annum. Subject to the Term Exit Lenders’ right to demand repayment in full on or after the fourth anniversary of the closing date, obligations under the Term Loan Agreement will mature on the seventh anniversary of the closing date.

The Term Loan Agreement contains customary affirmative and negative covenants and certain financial covenants binding on the Company and its subsidiaries, including, without limitation, a limitation on indebtedness of \$90 million under the Revolving Exit Facility and its subsidiaries with a sublimit on funded outstanding indebtedness of \$25 million, as more fully described in the Term Loan Agreement. Additionally, the Term Loan Agreement includes provisions for optional and mandatory prepayments on the conditions set forth in the Term Loan Agreement. The Term Loan Agreement will be secured by substantially the same collateral as the Revolving Exit Facility, and will be second in priority to the liens securing the Revolving Exit Facility. Each of the Company’s domestic subsidiaries is a guarantor of the obligations under the Term Loan Agreement.

The Term Loan Agreement is attached hereto as Exhibit 10.3 and is incorporated herein by reference. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the Term Loan Agreement.

The CHUBB Surety Agreement

The Company is party to that certain Underwriting, Continuing Indemnity, and Security Agreement, dated January 14, 2005, as amended (the “Surety Agreement”), and related documents, with Federal Insurance Company and its affiliates (collectively, “CHUBB”), which provides for CHUBB’s issuance of surety bonds to support the Company’s contracts with certain of its customers. In connection with the commencement of the Chapter 11 proceedings, the Company entered into the Term Sheet for Surety Support, dated February 3, 2006 (the “CHUBB DIP Agreement”), to provide surety bonding during the pendency of the Chapter 11 proceedings.

On the Effective Date, the Company entered into the Restated Underwriting, Continuing Indemnity, and Security Agreement with CHUBB (the “Restated Surety Agreement”). The Restated Surety Agreement restates the Surety Agreement and provides for post-Effective Date bonding, subject to the satisfaction of standard closing conditions prior to June 1, 2006. Under the Restated Surety Agreement, CHUBB, in its sole and absolute discretion, during the period from June 1, 2006 through December 31, 2006, may issue up to an aggregate of \$70 million in new surety bonds, with not more than \$10 million in new surety bonds to be issued in any given month. The Company will be charged a bond premium of \$17.50 per \$1,000 of the contract price related to any new surety bond.

The Restated Surety Agreement is attached hereto as Exhibit 10.4 and is incorporated herein by reference. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the Restated Surety Agreement.

Registration Rights Agreement

Pursuant to the Plan, in connection with the issuance of common stock of reorganized IES, as described in “Item 3.02 Unregistered Sales of Equity Securities” below, each holder of an allowed claim with respect to our 9-3/8% senior subordinated notes due 2009 (the “Senior Subordinated Notes”) that becomes the owner of at least 10% of the common stock of the Company on the Effective Date (the “Registrable Securities”), shall become a party to the registration rights agreement. As a result, the Company entered into the Registration Rights Agreement, dated

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May 12, 2006, with Tontine Capital Partners, L.P. and certain of its affiliates, and Southpoint Master Fund, L.P. (the "Registration Rights Agreement").

The Registration Rights Agreement requires the Company to file a "shelf" registration statement upon the written request of the holders of at least 10% of the Registrable Securities and to use commercially reasonable efforts to cause such registration statement to be declared effective by the Securities and Exchange Commission within 120 days of such request. At any time that a shelf registration statement is not effective, the holders of at least 10% of the Registrable Securities may require that the Company effect a registration of such securities (a "Demand Registration"); provided, however, that the Company will not be required to effect more than two Demand Registrations unless the Company is eligible to effect such registrations on Form S-3, in which event there are no limitations on the number of Demand Registrations that may be requested. In the event that the Company proposes to file a registration statement on its own behalf or on behalf of its security holders for the general registration of securities, the holders of Registrable Securities will have an opportunity to have their Registrable Securities included in such registration statement.

The Registration Rights Agreement is attached hereto as Exhibit 10.5 and is incorporated herein by reference. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the Registration Rights Agreement.

2006 Equity Incentive Plan

Pursuant to the Plan, the Integrated Electrical Services, Inc. 2006 Equity Incentive Plan (the "2006 Equity Incentive Plan") became effective. The material terms of the incentive plan are described below.

Awards

The 2006 Equity Incentive Plan provides for (i) grants of stock options entitling the holder to acquire shares of the Company's common stock, par value \$0.01 per share (as used in this section, the "Shares") upon exercise and (ii) grants or sale of Shares, including restricted stock (collectively, "Awards").

Eligibility

The Committee (as defined below) in its sole discretion is authorized to grant Awards to employees, consultants and directors. Such persons who have been granted Awards shall be participants in the 2006 Equity Incentive Plan with respect to such Awards. No individual shall have the right to be selected to receive an Award under the 2006 Equity Incentive Plan, or, having been so selected, to be selected to receive a future Award.

Stock Subject to the 2006 Equity Incentive Plan

The maximum number of Shares that may be issued pursuant to Awards under the 2006 Equity Incentive Plan is 2,002,542 Shares.

Administration

The 2006 Equity Incentive Plan will be administered by the Compensation Committee of the Board of Directors, a subcommittee thereof or another committee appointed by the Board of Directors or the entire Board of Directors (the "Committee"). The Committee shall have full authority and sole discretion to take any actions it deems necessary or advisable for the administration and operation of the 2006 Equity Incentive Plan, including, without limitation, the right to construe and interpret the provisions of the 2006 Equity Incentive Plan or any Award Agreement (as defined below), to provide for any omission in the 2006 Equity Incentive Plan, to resolve any ambiguity or conflict under the 2006 Equity Incentive Plan or any Award Agreement, to accelerate vesting of or otherwise waive any requirements applicable to any Award, to extend the term or any period of exercisability of any Award, to modify the purchase price or exercise price under any Award and to establish terms or conditions applicable to any Award.

Amendment or Termination

The Board of Directors may amend, suspend or terminate the 2006 Equity Incentive Plan at any time and for any reason; provided, however, that any amendment of the 2006 Equity Incentive Plan (except as provided in Section 10 of the 2006 Equity Incentive Plan) which increases the maximum number of Shares issuable to any person or available for issuance under the 2006 Equity Incentive Plan in the aggregate, changes the legal entity authorized to make Awards under this 2006 Equity Incentive Plan from the Company (or its successor) to any other legal entity or materially changes the class of persons who are eligible for the grant of Award, shall be subject to the approval of the Company's stockholders. Stockholder approval shall not be required for any other amendment of the 2006 Equity Incentive Plan.

Change of Control

Except as otherwise set forth in the Award Agreement, all unvested Awards shall vest upon a Change in Control (as defined in the 2006 Equity Incentive Plan).

The 2006 Equity Incentive Plan is listed as Exhibit 10.6 hereto and incorporated herein by reference to Exhibit 4.4 to the Company's registration statement on Form S-8, filed on May 12, 2006. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the 2006 Equity Incentive Plan. The form of stock option award agreement is attached hereto as Exhibit 10.7 and is incorporated herein by reference. The form of restricted stock award agreement is attached hereto as Exhibit 10.8 and is incorporated herein by reference. On the Effective Date, restricted stock awards were made to management as set forth the schedule attached as Exhibit 10.9 hereto utilizing the form of restricted stock agreement.

Option Award Agreement with C. Byron Snyder

Pursuant to the option award agreement, dated May 16, 2006 ("Mr. Snyder's Option Award Agreement"), by and between the Company and C. Byron Snyder, the Chief Executive Officer of the Company, the Company granted to Mr. Snyder on May 15, 2006, options to purchase two tranches of common stock of the Company. The aggregate number of shares of the Company's common stock granted to Mr. Snyder under the tranche A options is 29,412, all of which options vest on the date of the grant, and the exercise price per share of the tranche A options is equal to the greater of \$15.00 per share or 150% of the closing sales price on the grant date of a share of the Company's common stock, as quoted on Nasdaq. The aggregate number of shares of the Company's common stock granted to Mr. Snyder under the tranche B options is 22,059, all of which options vest if, on the ninetieth day after the grant date (the "Retention Vesting Date"), at least 90% of the presidents of the Company's subsidiaries, as of February 13, 2006, are employed with the Company on the Retention Vesting Date (excluding for purposes of such calculation such presidents that are no longer employed by the Company or its subsidiaries by reason of death, disability or termination by the Board of Directors without cause on or prior to the Retention Vesting Date. The exercise price per share of the tranche B options is equal to the greater of \$25.00 per share or 250% of the closing sales price on the grant date of a share of the Company's common stock, as quoted on Nasdaq. Subject to earlier termination as set forth in Mr. Snyder's Option Award Agreement, the exercise period of his options expires on May 15, 2016.

Mr. Snyder's Option Award Agreement is attached hereto as Exhibit 10.10 and is incorporated herein by reference. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to Mr. Snyder's Option Award Agreement.

Item 1.02 Termination of a Material Definitive Agreement

Pursuant to the Plan, on the Effective Date, the following material agreements were terminated:

Stock Option Plans. All outstanding stock option or other equity awards either became fully vested and were deemed exercised or were cancelled and no distribution will be made on account thereof. All existing stock and incentive compensation plans of the Company were deemed cancelled under the Plan, including the Integrated

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Electrical Services, Inc. 1997 Stock Plan, as amended, the Integrated Electrical Services, Inc. 1997 Director's Stock Plan and the Integrated Electrical Services, Inc. 1999 Incentive Compensation Plan.

Senior Subordinated Notes. The Senior Subordinated Notes, and the related indenture, were deemed cancelled. Each holder of Senior Subordinated Notes received, in exchange for its total claim (including principal and interest), its pro rata portion of 82% of the reorganized IES common stock to be issued pursuant to the Plan, before giving effect to new options issued pursuant to the 2006 Equity Incentive Plan.

Senior Convertible Notes. The Senior Convertible Notes, and the related indenture, were deemed cancelled. Each holder of Senior Convertible Notes received, in exchange for its allowed claim (including principal and interest), cash from the proceeds of the Term Exit Facility described above.

DIP Facility. With the effectiveness of the Plan, all of the obligations under our the DIP Facility became due. We paid all amounts due under the DIP Facility with the proceeds from the Loan and Security Agreement, and BofA has released all of its liens and security interests under the DIP Facility.

Item 2.03 Creation of a Direct Financial Obligation

See "Item 1.01 Entry Into a Material Definitive Agreement" above for information regarding the Loan and Security Agreement, the Pledge Agreement, the Term Exit Agreement and the Restated Surety Agreement, which is incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities

Pursuant to the Plan and the Second Amended and Restated Certificate of Incorporation (the "Restated Certificate"), on the Effective Date, the reorganized Company issued (i) 12,631,421 shares of new common stock to the holders of Senior Subordinated Notes and (ii) 2,310,626 shares of new common stock to the holders of existing common stock interests. The common stock issued pursuant to the Plan was issued pursuant to Section 1145 of the Bankruptcy Code, which exempts the issuance of securities from the registration requirements of the Securities Act of 1933, as amended.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

On the Effective Date, the following directors departed the Company's Board of Directors in connection with the Company's emergence from Chapter 11: C. Byron Snyder, George O. McDaniel and Ronald P. Badie. Mr. Beynon and Mr. Luke will continue to serve on the Company's Board of Directors.

On the Effective Date, the following individuals became members of the Company's Board of Directors by operation of the Plan:

Michael J. Hall, 61

Mr. Hall is President and Chief Executive Officer of Matrix Service Company (Matrix), a position he has held since March 28, 2005. Matrix provides general industrial construction and repair and maintenance services principally to the petroleum, petrochemical, power, bulk storage terminal, pipeline and industrial gas industries. Mr. Hall was Vice President – Finance and Chief Financial Officer, Secretary and Treasurer of Matrix from September, 1998 until he retired in May, 2004. He serves on Matrix's board of directors, a position he assumed when he joined Matrix in 1998.

John E. Welsh, III, 55

Mr. Welsh is President of Avalon Capital Partners, LLC, a private investment vehicle, a position he has held since January 2003. From October 2000 until December of 2002, Mr. Welsh was a Managing Director of CIP Management, LLC, the management entity for a series of venture capital partnerships affiliated with Rothschild, Inc. Mr. Welsh has been a director of General Cable Corp. since 1997, and Non-Executive Chairman since August 2001, and is a member of General Cable Corp.'s audit committee.

Robert W. Butts, 31

Mr. Butts began his career as a financial analyst in the Mergers and Acquisitions group at Merrill Lynch. After Merrill Lynch, Mr. Butts joined Greenlight Capital, a value oriented hedge fund, in April of 1999. In 2004, Mr. Butts co-founded Southpoint Capital Advisors LP, a New York based hedge fund. Mr. Butts is a graduate of Amherst College, where he earned a Bachelor of Science with a triple major in mathematics, physics and chemistry.

Joseph V. Lash, 43

Mr. Lash is a member of Tontine Associates, LLC, a private investment fund. From 2002 through 2005, Mr. Lash served as a senior managing director of Conway, DelGenio, Gries & Co., LLC, a financial advisory firm. From 1998 through 2001, Mr. Lash was the Managing Director of Global Mergers and Acquisitions of JP Morgan Chase, an investment banking firm.

The following directors will be members of the Audit Committee of the Board of Directors: Mr. Beynon (Chairman), Mr. Welsh and Mr. Hall. The following directors will be members of the Compensation Committee of the Board of Directors: Mr. Luke (Chairman), Mr. Beynon and Mr. Butts. The following directors will be members of the Nominating/Governance Committee of the Board of Directors: Mr. Luke, Mr. Hall, Mr. Lash and Mr. Welsh (Chairman). Sanford Edlein will continue as Chief Restructuring Officer of the Company reporting to the Board of Directors.

Item 5.03 Amendments to Articles of Incorporation or Bylaws: Change in Fiscal Year

By operation of the Plan, on the Effective Date, the Company adopted the Restated Certificate and amended Bylaws (the "Bylaws").

Amendments to the Restated Certificate include (i) a provision increasing the number of authorized shares of common stock to 110,000,000, (ii) removal of the authority to issue certain "Restricted Voting Common Stock" previously authorized for issuance, (iii) removal of provisions creating separate classes of directors and (iv) a provision prohibiting, pursuant to Section 1123(a) of the Bankruptcy Code, the issuance of non-voting equity securities. Amendments to the Bylaws include provisions (i) allowing holders of at least 25% of the outstanding common stock of IES to call a special shareholder meeting, (ii) providing that directors shall hold office until the next annual meeting and until a successor is elected and qualified or until his or her earlier resignation or removal and (iii) removing super-majority vote requirements with respect to the removal of directors and amendments to the bylaws (and, in each case, substituting a simple majority requirement therefor).

The Restated Certificate and the Bylaws are listed as Exhibits 3.1 and 3.2 hereto, respectively, and are incorporated herein by reference to Exhibits 4.1 and 4.2, respectively, to the Company's registration statement on Form S-8, filed on May 12, 2006. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the Restated Certificate and the Bylaws.

Item 7.01 Regulation FD Disclosure

Monthly Operating Report

On May 16, 2006, the Company and all of its domestic subsidiaries, filed their Monthly Operating Report covering the month ended March 31, 2006 (the "Monthly Operating Report"), with the Bankruptcy Court. The Monthly Operating Report is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

The Monthly Operating Report is limited in scope, covers a limited time period, and has been prepared solely for the purpose of complying with the monthly reporting requirements of the Bankruptcy Court. The financial information in the Monthly Operating Report is unaudited and does not purport to show the financial statements of any of the Debtors in accordance with accounting principles generally accepted in the United States ("GAAP"), and therefore excludes items required by GAAP, such as certain reclassifications, eliminations, accruals, and disclosure items. The Debtors caution readers not to place undue reliance upon the Monthly Operating Report. There can be no assurance that such information is complete. The Monthly Operating Report may be subject to revision. The Monthly Operating Report is in a format required by the Bankruptcy Code and should not be used for investment purposes. The information in the Monthly Operating Report should not be viewed as indicative of future results.

In accordance with general instruction B.2 of Form 8-K, the information in this report (including exhibits) that is being furnished pursuant to Item 7.01 of Form 8-K shall not be deemed to be "filed" for the purposes of Section 18 of the Exchange Act, or otherwise subject to liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as expressly set forth in such filing. This report will not be deemed an admission as to the materiality of any information in the report that is required to be disclosed solely by Regulation FD.

This current report on Form 8-K includes certain statements that may be deemed to be "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the Company's expectations and involve risks and uncertainties that could cause the Company's actual results to differ materially from those set forth in the statements. Such risks and uncertainties include, but are not limited to, the residual effect with customers and vendors from the bankruptcy process, the delayed effect of less new projects awarded to the company during the bankruptcy and its effect on future financial results, the lowered efficiency and higher costs associated with projects at subsidiaries that the company has determined to wind down or close; the loss of employees during the bankruptcy process and the winding down of subsidiaries distraction of management time in winding down and closing subsidiaries, high costs associated with exit facilities and exiting the bankruptcy, the Securities and Exchange Commission investigation of the Company and the Wells notices received by the Company and one of its officers in connection therewith. You should understand that the foregoing important factors, in addition to those discussed in our other filings with the Securities and Exchange Commission, including those under the heading "Risk Factors" contained in our annual report on Form 10-K for the fiscal year ended September 30, 2005 and our quarterly reports on Form 10-Q for the quarters ended December 31, 2005 and March 31, 2006, could affect our future results and could cause results to differ materially from those expressed in such forward-looking statements. We undertake no obligation to publicly update or revise the Company's borrowing availability, its cash position or any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
3.1	Second Amended and Restated Certificate of Incorporation of Integrated Electrical Services, Inc. (incorporated by reference to Exhibit 4.1 to the Company's registration statement on Form S-8, filed on May 12, 2006)
3.2	Bylaws of Integrated Electrical Services, Inc. (incorporated by reference to Exhibit 4.2 to the Company's registration statement on Form S-8, filed on May 12, 2006)
10.1*	Loan and Security Agreement, dated May 12, 2006, by and among Integrated Electrical Services, and its subsidiaries Inc., Bank of America, N.A. and the lenders party thereto
10.2*	Pledge Agreement, dated May 12, 2006, by and among Integrated Electrical Services, Inc. and its subsidiaries, Bank of America, N.A. and the lenders party thereto
10.3*	Term Loan Agreement, dated May 12, 2006, by and among Integrated Electrical Services, Inc., Eton Park Fund, L.P., and an affiliate, Flagg Street Partners LP and affiliates, and Wilmington Trust Company as administrative agent
10.4*	Restated Indemnity, Continuing Indemnity and Security Agreement, dated May 12, 2006, by Integrated Electrical Services, Inc. and certain of its subsidiaries and affiliates in favor of Federal Insurance Company
10.5*	Registration Rights Agreement, dated May 12, 2006, by and among Integrated Electrical Services, Inc., Tontine Capital Partners, L.P. and certain of its affiliates and Southpoint Master Fund, L.P.
10.6	Integrated Electrical Services, Inc. 2006 Long Term Incentive Plan (incorporated by reference to Exhibit 4.4 to the Company's registration statement on Form S-8, filed on May 12, 2006)
10.7*	Form of stock option award agreement under the 2006 Long Term Incentive Plan
10.8*	Form of restricted stock award agreement under the 2006 Long Term Incentive Plan
10.9*	Schedule of restricted stock awards to officers
10.10*	Option Award Agreement, dated May 16, 2006, by and between Integrated Electrical Services, Inc. and C. Byron Snyder
99.1*	Press Release, dated May 15, 2006
99.2**	Monthly Operating Report for the month ended March 31, 2006

* Filed herewith

** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ Curt L. Warnock

Curt L. Warnock

Senior Vice President and General Counsel

Date: May 17, 2006

EXHIBIT INDEX

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99.2**	Monthly Operating Payment for the month ended March 31, 2006

* Filed herewith

** Furnished herewith

**INTEGRATED ELECTRICAL SERVICES, INC., AND THE
SUBSIDIARIES OF INTEGRATED ELECTRICAL SERVICES, INC.
SIGNATORY HERETO AS BORROWERS,
as Borrowers**

**THE SUBSIDIARIES OF INTEGRATED ELECTRICAL SERVICES, INC.
SIGNATORY HERETO AS GUARANTORS,
as Guarantors**

LOAN AND SECURITY AGREEMENT

Dated: May 12, 2006

\$80,000,000.00

**THE FINANCIAL INSTITUTIONS
PARTY HERETO FROM TIME TO TIME, as Lenders**

and

BANK OF AMERICA, N.A., as Agent

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LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is made on May 12, 2006, by and among **INTEGRATED ELECTRICAL SERVICES, INC.** (individually and, in its capacity as the representative of the other Borrowers pursuant to **Section 3.4** hereof, "Parent"), a Delaware corporation with its chief executive office and principal place of business at 1800 West Loop South, Suite 500, Houston, Texas 77027, and each of the Subsidiaries of Parent listed on Annex I attached hereto and having the respective chief executive office and principal place of business so listed on Annex I (Parent and such Subsidiaries of Parent being herein referred to collectively as "Borrowers" and individually as a "Borrower"), and each of the Subsidiaries of Parent listed on Annex II attached hereto and having the respective chief executive office and principal place of business so listed on Annex II (such Subsidiaries of Parent being herein referred to collectively as "Guarantors" and individually as a "Guarantor", and each Borrower and Guarantor being herein referred to collectively as "Credit Parties" and individually as a "Credit Party"), the various financial institutions listed on the signature pages hereof and their respective successors and permitted assigns which become "Lenders" as provided herein; and **BANK OF AMERICA, N.A.**, a national banking association with an office at 901 Main Street, 22nd Floor, Mail Code: TX1-492-22-13, Dallas, Texas 75202, in its capacity as collateral and administrative agent for the Lenders pursuant to **Section 12** hereof (together with its successors in such capacity, "Agent"). Capitalized terms used in this Agreement have the meanings assigned to them in Appendix A, General Definitions.

Recitals:

Each Credit Party has requested that Lenders make available a revolving credit facility to Borrowers, which shall be used by Borrowers to finance their mutual and collective enterprise of providing electrical contracting services. In order to utilize the financial powers of each Borrower in the most efficient and economical manner, and in order to facilitate the financing of each Borrower's needs, Lenders will, at the request of any Borrower, make loans to all Borrowers under the revolving credit facility on a combined basis and in accordance with the provisions hereinafter set forth. Borrowers' business is a mutual and collective enterprise and Borrowers believe that the consolidation of all revolving credit loans under this Agreement will enhance the aggregate borrowing powers of each Borrower and ease the administration of their revolving credit loan relationship with Lenders, all to the mutual advantage of Borrowers. Lenders' willingness to extend credit to Borrowers and to administer each Borrower's collateral security therefor, on a combined basis as more fully set forth in this Agreement, is done solely as an accommodation to Borrowers and at Borrowers' request in furtherance of Borrowers' mutual and collective enterprise.

Each Borrower has agreed to guarantee the obligations of each of the other Borrowers under this Agreement and each of the other Loan Documents, and each Guarantor has agreed to guarantee the obligations of each Borrower under this Agreement and each of the other Loan Documents.

Each Credit Party (i) has determined that this credit facility is necessary or convenient to the conduct, promotion or attainment of its business and (ii) agrees, represents and warrants that provision of this credit facility to Borrowers will provide it with a substantial direct and indirect economic benefit.

NOW, THEREFORE, for Ten Dollars (\$10.00) and other good and valuable consideration, the parties hereto hereby agree as follows:

SECTION 1. CREDIT FACILITIES

Subject to the terms and conditions of, and in reliance upon the representations and warranties made in, this Agreement and the other Loan Documents, Lenders severally agree to the extent and in the manner hereinafter set forth to make their respective Pro Rata shares of the Commitments available to Borrowers, in an aggregate amount up to \$80,000,000, as follows:

1.1. Commitment.

1.1.1. Revolver Loans. Each Lender agrees, severally and not jointly with the other Lenders, upon the terms and subject to the conditions set forth herein, to make Revolver Loans to Borrowers on any Business Day during the period from the date hereof through the Business Day before the last day of the Original Term, not to exceed in aggregate principal amount outstanding at any time such Lender's Commitment at such time, which Revolver Loans may be repaid and reborrowed in accordance with the provisions of this Agreement; provided, however, that Lenders shall have no obligation to Borrowers whatsoever to make any Revolver Loan on or after the Commitment Termination Date or if at the time of the proposed funding thereof the aggregate principal amount of all of the Revolver Loans and Pending Revolver Loans then outstanding exceeds, or would exceed after the funding of such Revolver Loan, the Borrowing Base. Each Borrowing of Revolver Loans shall be funded by Lenders on a Pro Rata basis in accordance with their respective Commitments (except for Bank with respect to Settlement Loans). The Revolver Loans shall bear interest as set forth in **Section 2.1** hereof. Each Revolver Loan shall, at the option of Borrowers, be made or continued as, or converted into, part of one or more Borrowings that, unless specifically provided herein, shall consist entirely of Base Rate Loans or LIBOR Loans.

1.1.2. Out-of-Formula Loans. If the unpaid balance of Revolver Loans outstanding at any time should exceed the Borrowing Base at such time (an "Out-of-Formula Condition"), such Revolver Loans shall nevertheless constitute Obligations that are secured by the Collateral and entitled to all of the benefits of the Loan Documents. In the event that Lenders are willing to, in their sole and absolute discretion, make Out-of-Formula Loans, such Out-of-Formula Loans shall be payable on demand and shall bear interest as provided in this Agreement for Revolver Loans generally.

1.1.3. Use of Proceeds. The proceeds of the Revolver Loans shall be used by Borrowers solely for one or more of the following purposes: (i) to satisfy any Debt owed to DIP Agent or DIP Lenders pursuant to the DIP Loan Agreement; (ii) to pay the fees and transaction expenses associated with the closing of the transactions described herein; (iii) to pay any of the Obligations; (iv) to implement the financial restructuring of Borrowers in accordance with the Reorganization Plan and (v) to make expenditures for other lawful corporate purposes of Borrowers to the extent such expenditures are not prohibited by this Agreement or Applicable Law. In no event may any Revolver Loan proceeds be used by any Borrower to purchase or to carry, or to reduce, retire or refinance any Debt incurred to purchase or carry, any Margin Stock or for any related purpose that violates the provisions of Regulations T, U or X of the Board of Governors.

1.1.4. Revolver Notes. The Revolver Loans made by each Lender and interest accruing thereon shall be evidenced by the records of Agent and such Lender and by the Revolver Note payable to such Lender (or the assignee of such Lender), which shall be executed by Borrowers, completed in conformity with this Agreement and delivered to such Lender. All outstanding principal amounts and accrued interest under the Revolver Notes shall be due and payable as set forth in **Section 4.2** hereof.

1.2. Letter of Credit Facility.

1.2.1. Agreement to Issue or Cause To Issue. Subject to the terms and conditions of this Agreement, the Agent agrees (i) to cause the Letter of Credit Issuer to issue for the account of any one or more Borrowers one or more standby letters of credit ("Letter of Credit") and/or (ii) to provide credit support or other enhancement to a Letter of Credit Issuer acceptable to Agent, which issues a Letter of Credit for the account of any Borrower (any such credit support or enhancement being herein referred to as a "Credit Support") from time to time during the term of this Agreement. Agent, Lenders and Credit Parties agree that any Letters of Credit issued under the DIP Loan Agreement and outstanding on the Closing Date are hereby deemed to have been issued and outstanding under this Agreement as of the Closing Date.

1.2.2. Amounts; Outside Expiration Date. The Agent shall not have any obligation to issue or cause to be issued any Letter of Credit or to provide Credit Support for any Letter of Credit at any time if: (i) the maximum face amount of the requested Letter of Credit is greater than the Unused Letter of Credit Subfacility at such time; (ii) the maximum face amount of the requested Letter of Credit and all commissions, fees, and charges due from the Borrowers in connection with the opening thereof would exceed Availability at such time; or (iii) such Letter of Credit has an expiration date less than 15 days prior to the last day of the Original Term or more than 12 months from the date of issuance of such standby Letters of Credit. With respect to any Letter of Credit which contains any "evergreen" or automatic renewal provision, each Lender shall be deemed to have consented to any such extension or renewal unless any such Lender shall have provided to the Agent, written notice that it declines to consent to any such extension or renewal at least thirty (30) days prior to the date on which the Letter of Credit Issuer is entitled to decline to extend or renew the Letter of Credit. If all of the requirements of this Section 1.2 are met and no Default or Event of Default has occurred and is continuing, no Lender shall decline to consent to any such extension or renewal.

1.2.3. Other Conditions. In addition to conditions precedent contained in Article 10, the obligation of the Agent to issue or to cause to be issued any Letter of Credit or to provide Credit Support for any Letter of Credit is subject to the following conditions precedent having been satisfied in a manner reasonably satisfactory to the Agent:

(i) The Borrower shall have delivered to the Letter of Credit Issuer, at such times and in such manner as such Letter of Credit Issuer may prescribe, an application in form and substance satisfactory to such Letter of Credit Issuer and reasonably satisfactory to the Agent for the issuance of the Letter of Credit and such other documents as may be required pursuant to the terms thereof, and the form and terms of the proposed Letter of Credit shall be reasonably satisfactory to the Agent and the Letter of Credit Issuer and its purpose shall comply with Section 1.1.3; and

(ii) As of the date of issuance, no order of any court, arbitrator or Governmental Authority shall purport by its terms to enjoin or restrain money center banks generally from issuing letters of credit of the type and in the amount of the proposed Letter of Credit, and no law, rule or regulation applicable to money center banks generally and no request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over money center banks generally shall prohibit, or request that the proposed Letter of Credit Issuer refrain from, the issuance of letters of credit generally or the issuance of such Letters of Credit.

In the event of any direct conflict between any document delivered pursuant to Section 1.2.3(i) and this Agreement, the terms hereof shall control.

1.2.4. Issuance of Letters of Credit.

(i) Request for Issuance. Borrower must notify the Agent of a requested Letter of Credit at least three (3) Business Days prior to the proposed issuance date. Such notice shall be irrevocable and must specify the original face amount of the Letter of Credit requested, the Business Day of issuance of such requested Letter of Credit, whether such Letter of Credit may be drawn in a single or in partial draws, the Business Day on which the requested Letter of Credit is to expire, the purpose for which such Letter of Credit is to be issued, and the beneficiary of the requested Letter of Credit. The Borrower shall attach to such notice the proposed form of the Letter of Credit.

(ii) Responsibilities of the Agent; Issuance. As of the Business Day immediately preceding the requested issuance date of the Letter of Credit, the Agent shall determine the amount of the applicable Unused Letter of Credit Subfacility and Availability. If (a) the face amount of the requested Letter of Credit is less than the Unused Letter of Credit Subfacility and (b) the amount of such requested Letter of Credit and all commissions, fees, and charges due from the Borrower in connection with the opening thereof would not exceed Availability, the Agent shall cause the Letter of Credit Issuer to issue the requested Letter of Credit on the requested issuance date so long as the other conditions hereof are met.

(iii) No Extensions or Amendment. The Agent shall not be obligated to cause the Letter of Credit Issuer to extend or amend any Letter of Credit issued pursuant hereto unless the requirements of this Section 1.2 are met as though a new Letter of Credit were being requested and issued.

1.2.5. Payments Pursuant to Letters of Credit. Each Borrower agrees to reimburse immediately the Letter of Credit Issuer for any draw under any Letter of Credit and the Agent for the account of the Lenders upon any payment pursuant to any Credit Support, and to pay the Letter of Credit Issuer the amount of all other charges and fees payable to the Letter of Credit Issuer in connection with any Letter of Credit immediately when due, irrespective of any claim, setoff, defense or other right which any Borrower may have at any time against the Letter of Credit Issuer or any other Person. Each drawing under any Letter of Credit shall constitute a request by Borrowers to the Agent for a Borrowing of a Base Rate Revolving Loan in the amount of such drawing. The funding date with respect to such Borrowing shall be the date of such drawing.

1.2.6. Indemnification; Exoneration; Power of Attorney.

(i) Indemnification. In addition to amounts payable as elsewhere provided in this Section 1.2, each Borrower agrees to protect, indemnify, pay and save the Lenders and the Agent harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) which any Lender or the Agent (other than a Lender in its capacity as Letter of Credit Issuer) may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit or the provision of any Credit Support or enhancement in connection therewith. The Borrowers' obligations under this Section shall survive payment of all other Obligations.

(ii) Assumption of Risk by the Borrower. As among the Borrowers, the Lenders, and the Agent, each Borrower assumes all risks of the acts and omissions of, or misuse of any of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, except to the extent caused by their willful

misconduct or gross negligence, the Lenders and the Agent shall not be responsible for: (a) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any Person in connection with the application for and issuance of and presentation of drafts with respect to any of the Letters of Credit, even if it should prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (b) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (c) the failure of the beneficiary of any Letter of Credit to comply duly with conditions required in order to draw upon such Letter of Credit; (d) errors, omissions, interruptions, or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (e) errors in interpretation of technical terms; (f) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit or of the proceeds thereof; (g) the misapplication by the beneficiary of any Letter of Credit of the proceeds of any drawing under such Letter of Credit; (h) any consequences arising from causes beyond the control of the Lenders or the Agent, including any act or omission, whether rightful or wrongful, of any present or future de jure or de facto Governmental Authority or (i) the Letter of Credit Issuer's honor of a draw for which the draw or any certificate fails to comply in any respect with the terms of the Letter of Credit. None of the foregoing shall affect, impair or prevent the vesting of any rights or powers of the Agent or any Lender under this **Section 1.2.6**.

(iii) **Exoneration**. Without limiting the foregoing, no action or omission whatsoever by Agent or any Lender (excluding any Lender in its capacity as a Letter of Credit Issuer) shall result in any liability of Agent or any Lender to any Borrower, or relieve any Borrower of any of its obligations hereunder to any such Person.

(iv) **Rights Against Letter of Credit Issuer**. Nothing contained in this Agreement is intended to limit the Borrower's rights, if any, with respect to the Letter of Credit Issuer which arise as a result of the letter of credit application and related documents executed by and between the Borrower and the Letter of Credit Issuer or under Applicable Law.

(v) **Account Party**. Each Borrower hereby authorizes and directs any Letter of Credit Issuer to name the Borrower as the "Account Party" therein and to deliver to the Agent all instruments, documents and other writings and property received by the Letter of Credit Issuer pursuant to the Letter of Credit, and to accept and rely upon the Agent's instructions and agreements with respect to all matters arising in connection with the Letter of Credit or the application therefor.

1.2.7. **Cash Collateral Account**. If any LC Outstandings, whether or not then due or payable, shall for any reason be outstanding (i) at any time when an Event of Default has occurred and is continuing, (ii) on any date that Availability is less than zero, or (iii) on or at any time after the Commitment Termination Date, then Borrowers shall, on Bank's or Agent's request, forthwith deposit with Agent, in cash, an amount equal to 105% of the aggregate amount of LC Outstandings or deliver to Agent as beneficiary a direct pay letter of credit in form and from an issuing bank acceptable to Agent, in its sole discretion, and providing for the direct payment to Agent of all LC Outstandings upon drawings thereunder. If Borrowers fail to make such deposit on the first Business Day following Agent's or Bank's demand therefor, Lenders may (and shall upon direction of the Required Lenders) advance such amount as Revolver Loans (whether or not an Out-of-Formula Condition is created thereby). Such cash (together with any interest accrued thereon) shall be held by Agent in the Cash Collateral Account and may be invested, in Agent's discretion, in Cash Equivalents. Each Borrower hereby pledges to Agent and grants to Agent a security interest in, for the benefit of Agent in such capacity and for the Pro Rata benefit of

Lenders, all Cash Collateral held in the Cash Collateral Account from time to time and all proceeds thereof, as security for the payment of all Obligations, whether or not then due or payable. From time to time after cash is deposited in the Cash Collateral Account, Agent may apply Cash Collateral then held in the Cash Collateral Account to the payment of any amounts, in such order as Agent may elect, as shall be or shall become due and payable by Borrowers to Agent or any Lender with respect to the LC Outstandings that may be then outstanding. Neither any Borrower nor any other Person claiming by, through or under or on behalf of any Borrower shall have any right to withdraw any of the Cash Collateral held in the Cash Collateral Account, including any accrued interest, provided that (i) upon termination or expiration of all Letters of Credit and the payment and satisfaction of all of the LC Outstandings, any Cash Collateral remaining in the Cash Collateral Account shall be returned to Borrowers unless an Event of Default then exists (in which event Agent may apply such Cash Collateral to the payment of any other Obligations outstanding, with any surplus to be turned over to Borrowers) or (ii) if no Event of Default then exists, Borrower has the Availability required by this Agreement after giving effect thereto and such is in compliance with Section 2.2.3, then Borrower may withdraw such Cash Collateral.

1.2.8. Letters of Credit; Intra-Lender Issues.

(i) Notice of Letter of Credit Balance. On each Settlement Date the Agent shall notify each Lender of the issuance of all Letters of Credit since the prior Settlement Date.

(ii) Participations in Letters of Credit.

(a) Purchase of Participations. Immediately upon issuance of any Letter of Credit in accordance with Section 1.2.4, each Lender (sometimes referred to herein as a "Participating Lender") shall be deemed to have irrevocably and unconditionally purchased and received without recourse or warranty, an undivided interest and participation equal to such Lender's Pro Rata share of the face amount of such Letter of Credit or the Credit Support provided through the Agent to the Letter of Credit Issuer, if not the Bank, in connection with the issuance of such Letter of Credit (including all obligations of the Borrowers with respect thereto, and any security therefor or guaranty pertaining thereto).

(b) Sharing of Reimbursement Obligation Payments. Whenever the Agent receives a payment from the Borrowers on account of reimbursement obligations in respect of a Letter of Credit or Credit Support as to which the Agent has previously received for the account of the Letter of Credit Issuer thereof payment from a Lender, the Agent shall promptly pay to such Lender such Lender's Pro Rata share of such payment from the Borrowers. Each such payment shall be made by the Agent on the next Settlement Date.

(c) Documentation. Upon the request of any Lender, the Agent shall furnish to such Lender copies of any Letter of Credit, Credit Support for any Letter of Credit, reimbursement agreements executed in connection therewith, applications for any Letter of Credit, and such other documentation as may reasonably be requested by such Lender.

(d) Obligations Irrevocable. The obligations of each Lender to make payments to the Agent with respect to any Letter of Credit or with respect to their participation therein or with respect to any Credit Support for any Letter of Credit or with respect to the Revolver Loans made as a result of a drawing under a Letter of Credit and the obligations of the Borrower for whose account the Letter of Credit or Credit Support

was issued to make payments to the Agent, for the account of the Lenders, shall be irrevocable and shall not be subject to any qualification or exception whatsoever, including any of the following circumstances:

(1) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(2) the existence of any claim, setoff, defense or other right which any Borrower may have at any time against a beneficiary named in a Letter of Credit or any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), any Lender, the Agent, the issuer of such Letter of Credit, or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transactions between any Borrower or any other Person and the beneficiary named in any Letter of Credit);

(3) any draft, certificate or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(4) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents;

(5) the occurrence of any Default or Event of Default; or

(6) the failure of the Borrowers to satisfy the applicable conditions precedent set forth in **Article 10**.

(iii) Recovery or Avoidance of Payments; Refund of Payments In Error. In the event any payment by or on behalf of the Borrower received by the Agent with respect to any Letter of Credit or Credit Support provided for any Letter of Credit and distributed by the Agent to the Lenders on account of their respective participations therein is thereafter set aside, avoided or recovered from the Agent in connection with any receivership, liquidation or bankruptcy proceeding, the Lenders shall, upon demand by the Agent, pay to the Agent their respective Pro Rata shares of such amount set aside, avoided or recovered, together with interest at the rate required to be paid by the Agent upon the amount required to be repaid by it. Unless the Agent receives notice from the Borrowers prior to the date on which any payment is due to the Lenders that the Borrowers will not make such payment in full as and when required, the Agent may assume that the Borrowers have made such payment in full to the Agent on such date in immediately available funds and the Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrowers have not made such payment in full to the Agent, each Lender shall repay to the Agent on demand such amount distributed to such Lender, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Lender until the date repaid.

(iv) Indemnification by Lenders. To the extent not reimbursed by the Borrowers and without limiting the obligations of the Borrowers hereunder, the Lenders agree to indemnify the Letter of Credit Issuer ratably in accordance with their respective Pro Rata shares, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements of any kind and nature whatsoever that may

be imposed on, incurred by or asserted against the Letter of Credit Issuer in any way relating to or arising out of any Letter of Credit or the transactions contemplated thereby or any action taken or omitted by the Letter of Credit Issuer under any Letter of Credit or any Loan Document in connection therewith; provided that no Lender shall be liable for any of the foregoing to the extent it arises from the gross negligence or willful misconduct of the Person to be indemnified. Without limitation of the foregoing, each Lender agrees to reimburse the Letter of Credit Issuer promptly upon demand for its Pro Rata share of any costs or expenses payable by the Borrowers to the Letter of Credit Issuer, to the extent that the Letter of Credit Issuer is not promptly reimbursed for such costs and expenses by the Borrowers. The agreement contained in this Section shall survive payment in full of all other Obligations.

1.3. Bank Products. The Borrowers may request and the Agent may, in its sole and absolute discretion, arrange for the Borrowers to obtain from the Bank or the Bank's Affiliates Bank Products. If Bank Products are provided by an Affiliate of the Bank, the Borrowers agree to indemnify and hold the Agent, the Bank and the Lenders harmless from any and all costs and obligations now or hereafter incurred by the Agent, the Bank or any of the Lenders which arise from any indemnity given by the Agent to its Affiliates related to such Bank Products; provided, however, nothing contained herein is intended to limit the Borrowers' rights, with respect to the Bank or its Affiliates, if any, which arise as a result of the execution of documents by and between the Borrowers and the Bank which relate to Bank Products. The agreement contained in this Section shall survive termination of this Agreement. The Borrowers acknowledge and agree that the obtaining of Bank Products from the Bank or the Bank's Affiliates (i) is in the sole and absolute discretion of the Bank or the Bank's Affiliates, and (ii) is subject to all rules and regulations of the Bank or the Bank's Affiliates.

SECTION 2. INTEREST, FEES AND CHARGES

2.1. Interest.

2.1.1. Rates of Interest. Borrowers jointly and severally agree to pay interest in respect of all unpaid principal amounts of the Revolver Loans from the respective dates such principal amounts are advanced until paid (whether at stated maturity, on acceleration or otherwise) at a rate per annum equal to the applicable rate indicated below:

(i) for Revolver Loans made or outstanding as Base Rate Loans, the Applicable Margin plus the Base Rate in effect from time to time; or

(ii) for Revolver Loans made or outstanding as LIBOR Loans, the Applicable Margin plus the relevant Adjusted LIBOR Rate for the applicable Interest Period selected by a Borrower in conformity with this Agreement.

Upon determining the Adjusted LIBOR Rate for any Interest Period requested by Borrowers, Agent shall promptly notify Borrowers thereof by telephone and, if so requested by Borrowers, confirm the same in writing. Such determination shall, absent manifest error, be final, conclusive and binding on all parties and for all purposes. The applicable rate of interest for all Loans (or portions thereof) bearing interest based upon the Base Rate shall be increased or decreased, as the case may be, by an amount equal to any increase or decrease in the Base Rate, with such adjustments to be effective as of the opening of business on the day that any such change in the Base Rate becomes effective. Interest on each Loan shall accrue from and including the date on which such Loan is made, converted to a Loan of another Type or continued as a LIBOR Loan to (but excluding) the date of any repayment thereof; provided, however, that, if a Loan is repaid on the same day made, one day's interest shall be paid on such Loan.

2.1.2. Conversions and Continuations.

(i) Borrowers may on any Business Day, subject to the giving of a proper Notice of Conversion/Continuation as hereinafter described, elect (A) to continue all or any part of a LIBOR Loan by selecting an Interest Period therefor, to commence on the last day of the immediately preceding Interest Period, or (B) to convert all or any part of a Loan of one Type into a Loan of another Type; provided, however, that no outstanding Loans may be converted into or continued as LIBOR Loans when any Default or Event of Default exists. Any conversion of a LIBOR Loan into a Base Rate Loan shall be made on the last day of the Interest Period for such LIBOR Loan. Any conversion or continuation made with respect to less than the entire outstanding balance of the Revolver Loans must be allocated among Lenders on a Pro Rata basis, and the Interest Period for Loans converted into or continued as LIBOR Loans shall be coterminous for each Lender.

(ii) Whenever Borrowers desire to convert or continue Loans under **Section 2.1.2(i)**, Parent shall give Agent written notice (or telephonic notice promptly confirmed in writing) substantially in the form of **Exhibit C**, signed by an authorized officer of Parent, before 12:00 p.m. on the Business Day of the requested conversion date, in the case of a conversion into Base Rate Loans, and at least 3 Business Days before the requested conversion or continuation date, in the case of a conversion into or continuation of LIBOR Loans. Promptly after receipt of a Notice of Conversion/Continuation, Agent shall notify each Lender in writing of the proposed conversion or continuation. Each such Notice of Conversion/Continuation shall be irrevocable and shall specify the aggregate principal amount of the Loans to be converted or continued, the date of such conversion or continuation (which shall be a Business Day) and whether the Loans are being converted into or continued as LIBOR Loans (and, if so, the duration of the Interest Period to be applicable thereto) or Base Rate Loans. If, upon the expiration of any Interest Period in respect of any LIBOR Loans Borrowers shall have failed to deliver the Notice of Conversion/Continuation, Borrowers shall be deemed to have elected to convert such LIBOR Loans to Base Rate Loans.

2.1.3. Interest Periods. In connection with the making or continuation of, or conversion into, each Borrowing of LIBOR Loans, Borrowers shall select an interest period (each an "Interest Period") to be applicable to such LIBOR Loan, which interest period shall commence on the date such LIBOR Loan is made and shall end on a numerically corresponding day in the first, third or sixth month thereafter; provided, however, that:

(i) the initial Interest Period for a LIBOR Loan shall commence on the date of such Borrowing (including the date of any conversion from a Loan of another Type) and each Interest Period occurring thereafter in respect of such Revolver Loan shall commence on the date on which the next preceding Interest Period expires;

(ii) if any Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day, provided that, if any Interest Period in respect of LIBOR Loans would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(iii) any Interest Period that begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall expire on the last Business Day of such calendar month; and

(iv) no Interest Period shall extend beyond the last day of the Original Term.

2.1.4. **Interest Rate Not Ascertainable.** If Agent shall determine (which determination shall, absent manifest error, be final, conclusive and binding upon all parties) that on any date for determining the Adjusted LIBOR Rate for any Interest Period, by reason of any changes arising after the date of this Agreement affecting the London interbank market or any Lender's or Bank's position in such market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Adjusted LIBOR Rate, then, and in any such event, Agent shall forthwith give notice (by telephone confirmed in writing) to a Borrower of such determination. Until Agent notifies a Borrower that the circumstances giving rise to the suspension described herein no longer exist, the obligation of Lenders to make LIBOR Loans shall be suspended, and such affected Loans then outstanding shall, at the end of the then applicable Interest Period or at such earlier time as may be required by Applicable Law, bear the same interest as Base Rate Loans.

2.1.5. **Default Rate of Interest.** Borrowers shall pay interest (before as well as after entry of judgment thereon, to the extent permitted by Applicable Law) at a rate per annum equal to the Default Rate (i) with respect to the principal amount of any portion of the Obligations (and, to the extent permitted by Applicable Law, all past due interest) that is not paid on the due date thereof (whether due at stated maturity, on demand, upon acceleration or otherwise) until paid in full; (ii) with respect to the principal amount of all of the Obligations (and, to the extent permitted by Applicable Law, all past due interest) upon the earlier to occur of (x) a Borrower's receipt of notice from Agent of the Required Lenders' election to charge the Default Rate based upon the existence of any Event of Default (which notice Agent shall send only with the consent or at the direction of the Required Lenders), whether or not acceleration or demand for payment of the Obligations has been made, or (y) the commencement by or against any Borrower of an Insolvency Proceeding whether or not under the circumstances described in clauses (i) or (ii) hereof Agent elects to accelerate the maturity or demand payment of any of the Obligations; and (iii) with respect to the principal amount of any Out-of-Formula Loans, whether or not demand for payment thereof has been made by Agent. To the fullest extent permitted by Applicable Law, the Default Rate shall apply and accrue on any judgment entered with respect to any of the Obligations and to the unpaid principal amount of the Obligations during any Insolvency Proceeding of a Borrower. Each Borrower acknowledges that the cost and expense to Agent and each Lender attendant upon the occurrence of an Event of Default are difficult to ascertain or estimate and that the Default Rate is a fair and reasonable estimate to compensate Agent and Lender for such added cost and expense.

2.2. **Fees.** In consideration of Lender's establishment of the Commitments in favor of Borrowers, and Agent's agreement to serve as collateral and administrative agent hereunder, Borrowers jointly and severally agree to pay the following fees:

2.2.1. **Underwriting Fee.** Borrowers shall pay to Agent on the date hereof the underwriting fee provided for in the Fee Letter.

2.2.2. **Unused Line Fee.** Borrowers shall be jointly and severally obligated to pay to Agent for the Pro Rata benefit of Lenders a fee based on the amount by which the Average Revolver Loan Balance for any month (or portion thereof that the Commitments are in effect) is less than the aggregate amount of the Commitments (the "Unused Amount"), such fee to be equal to 0.50% per annum of the Unused Amount if such Unused Amount is equal to or less than 50% of the aggregate amount of the Commitments, and such fee to be instead equal to .375% per annum of the Unused Amount, if such Unused Amount is greater than 50% of the aggregate amount of the Commitments, such fee to be paid on the first day of the following month; but if the Commitments are terminated on a day other than the first day of a month, then any such fee payable for the month in which termination shall occur shall be paid on the effective date of such termination.

2.2.3. **Letter of Credit Fee.** The Borrowers jointly and severally agree to pay to the Agent, for the account of the Lenders, in accordance with their respective Pro Rata shares, for each Letter of Credit, a fee (the "Letter of Credit Fee") equal to the per annum percentage equal to the Applicable Margin for Revolver Loans which are LIBOR Loans, and to Agent for the benefit of the Letter of Credit Issuer a fronting fee of one-quarter of one percent (0.25%) per annum of the undrawn face amount of each Letter of Credit, and to the Letter of Credit Issuer, all out-of-pocket costs, fees and expenses incurred by the Letter of Credit Issuer in connection with the application for, processing of, issuance of, or amendment to any Letter of Credit, which costs, fees and expenses shall include a "fronting fee" payable to the Letter of Credit Issuer. The Letter of Credit Fee shall be payable monthly in arrears on the first day of each month following any month in which a Letter of Credit is outstanding and on the Termination Date. The Letter of Credit Fee shall be computed on the basis of a 360-day year for the actual number of days elapsed.

2.2.4. **Audit and Appraisal Fees.** Borrowers shall be jointly and severally obligated to reimburse Agent and Lenders for all reasonable costs and expenses incurred by Agent and Lenders in connection with all audits and appraisals of any Obligor's books and records and such other matters pertaining to any Obligor or any Collateral as Agent shall deem appropriate. Borrowers shall reimburse Agent and Lenders for all reasonable costs and expenses incurred by Agent or Lenders in connection with appraisals of any Collateral as Agent shall deem appropriate and shall pay to Agent \$850.00 per day for each day that an employee or agent of Agent shall be engaged in a field examination or an audit or review of any Borrower's books and records.

2.2.5. **Annual Administrative Fee.** In consideration of Bank's syndication of the Commitments and service as Agent hereunder, Borrowers shall be jointly and severally obligated to pay to Agent for Agent's own account an administrative fee of \$200,000, per year, which fee shall be payable on the Closing Date and on each anniversary of the date of this Agreement.

2.2.6. **General Provisions.** All fees shall be fully earned by the identified recipient thereof pursuant to the foregoing provisions of this Agreement and the Fee Letter on the due date thereof (and, in the case of Letters of Credit, upon each issuance, renewal or extension of such Letter of Credit) and, except as otherwise set forth herein or required by Applicable Law, shall not be subject to rebate, refund or proration. All fees provided for in **Section 2.2** are and shall be deemed to be compensation for services and are not, and shall not be deemed to be, interest or any other charge for the use, forbearance or detention of money.

2.3. **Computation of Interest and Fees.** All fees and other charges provided for in this Agreement that are calculated as a per annum percentage of any amount and all interest shall be calculated daily and shall be computed on the actual number of days elapsed over a year of 360 days. For purposes of computing interest and other charges hereunder, all Payment Items and other forms of payment received by Agent shall be deemed applied by Agent on account of the Obligations (subject to final payment of such items) on the Business Day that Agent receives such items in immediately available funds in the Payment Account, and Agent shall be deemed to have received such Payment Item on the date specified in **Section 4.7** hereof.

2.4. Reimbursement of Obligations.

2.4.1. Borrowers shall reimburse Agent and, during any period that an Event of Default then exists, each Lender, for all legal, accounting, appraisal and other fees and expenses incurred by Agent or any Lender in connection with (i) the negotiation and preparation of any of the Loan Documents, any amendment or modification thereto, any waiver of any Default or Event of Default thereunder, or any restructuring or forbearance with respect thereto; (ii) the administration of the Loan

Documents and the transactions contemplated thereby, to the extent that such fees and expenses are expressly provided for in this Agreement or any of the other Loan Documents; (iii) action taken to perfect or maintain the perfection or priority of any of Agent's Liens with respect to any of the Collateral; (iv) any inspection of or audits conducted with respect to any Borrower's books and records or any of the Collateral; (v) any effort to verify, protect, preserve, or restore any of the Collateral or to collect, sell, liquidate or otherwise dispose of or realize upon any of the Collateral; (vi) any litigation, contest, dispute, suit, proceeding or action (whether instituted by or against Agent, any Lender, any Obligor or any other Person) in any way arising out of or relating to any of the Collateral (or the validity, perfection or priority of any of Agent's Liens thereon), any of the Loan Documents or the validity, allowance or amount of any of the Obligations; (vii) the protection or enforcement or any rights or remedies of Agent or any Lender in any Insolvency Proceeding; and (viii) any other action taken by Agent or any Lender to enforce any of the rights or remedies of Agent or such Lender against any Obligor or any Account Debtors to enforce collection of any of the Obligations or payments with respect to any of the Collateral. All amounts chargeable to Borrowers under this **Section 2.4** shall constitute Obligations that are secured by all of the Collateral and shall be payable **on demand** to Agent. Borrowers shall also reimburse Agent for expenses incurred by Agent in its administration of any of the Collateral to the extent and in the manner provided in **Section 7** hereof or in any of the other Loan Documents. The foregoing shall be in addition to, and shall not be construed to limit, any other provision of any of the Loan Documents regarding the reimbursement by Borrowers of costs, expenses or liabilities suffered or incurred by Agent or any Lender.

2.4.2. If at any time Agent or (with the consent of Agent) any Lender shall agree to indemnify any Person (including Bank) against losses or damages that such Person may suffer or incur in its dealings or transactions with any or all of Borrowers, or shall guarantee any liability or obligation of any or all of Borrowers to such Person, or otherwise shall provide assurances of any Borrower's payment or performance under any agreement with such Person, including indemnities, guaranties or other assurances of payment or performance given by Agent or any Lender with respect to Cash Management Agreements or Interest Rate Contracts, Letters of Credit, then the Contingent Obligation of Agent or any Lender providing any such indemnity, guaranty or other assurance of payment or performance, together with any payment made or liability incurred by Agent or any Lender in connection therewith, shall constitute Obligations that are secured by the Collateral and Borrowers shall repay, **on demand**, any amount so paid or any liability incurred by Agent or any Lender in connection with any such indemnity, guaranty or assurance, except that repayment with respect to any Credit Support shall be due on the first Business Day following the date on which Agent made the payment under the Credit Support. Nothing herein shall be construed to impose upon Agent or any Lender any obligation to provide any such indemnity, guaranty or assurance except to the extent provided in **Section 1.2** hereof. The foregoing agreement of Borrowers shall apply whether or not such indemnity, guaranty or assurance is in writing or oral and regardless of any Borrower's knowledge of the existence thereof, and shall be in addition to any provision of the Loan Documents regarding reimbursement by Borrowers of costs, expenses or liabilities suffered or incurred by Agent or any Lender.

2.5. **Bank Charges.** Borrowers shall pay to Agent, **on demand**, any and all fees, costs or expenses which Agent or any Lender pays to a bank or other similar institution (including any fees paid by Agent or any Lender to any Participant) arising out of or in connection with (i) the forwarding to a Borrower or any other Person on behalf of Borrower by Agent or any Lender of proceeds of Loans made by Lenders to a Borrower pursuant to this Agreement and (ii) the depositing for collection by Agent or any Lender of any Payment Item received or delivered to Agent or any Lender on account of the Obligations. Each Borrower acknowledges and agrees that Agent may charge such costs, fees and expenses to Borrowers based upon Agent's good faith estimate of such costs, fees and expenses as they are incurred by Agent or any Lender.

2.6. Illegality. Notwithstanding anything to the contrary contained elsewhere in this Agreement, if (i) any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration thereof, in each case occurring after the date hereof, shall make it unlawful for a Lender to make or maintain a LIBOR Loan or to give effect to its obligations as contemplated hereby with respect to a LIBOR Loan or (ii) at any time such Lender determines that the making or continuance of any LIBOR Loan has become impracticable as a result of a contingency occurring after the date hereof which adversely affects the London interbank market or the position of such Lender in such market, then such Lender shall give after such determination Agent and any Borrower notice thereof and may thereafter (1) declare that LIBOR Loans will not thereafter be made by such Lender, whereupon any request by a Borrower for a LIBOR Loan shall be deemed a request for a Base Rate Loan unless such Lender's declaration shall be subsequently withdrawn (which declaration shall be withdrawn promptly after the cessation of the circumstances described in clause (i) or (ii) above); and (2) require that all outstanding LIBOR Loans made by such Lender be converted to Base Rate Loans, under the circumstances of clause (i) or (ii) of this **Section 2.6** insofar as such Lender determines the continuance of LIBOR Loans to be impracticable, in which event all such LIBOR Loans shall be converted automatically to Base Rate Loans as of the date of any Borrower's receipt of the aforesaid notice from such Lender.

2.7. Increased Costs. If, by reason of (a) the introduction, or any change (including any change by way of imposition or increase of Statutory Reserves or other reserve requirements) in or in the interpretation, of any law or regulation after the date hereof, or (b) the compliance with any guideline or request issued after the date hereof from any central bank or other Governmental Authority or quasi-Governmental Authority exercising control over banks or financial institutions generally (whether or not having the force of law):

(i) any Lender shall be subject after the date hereof, to any Tax, duty or other charge with respect to any LIBOR Loan or its obligation to make LIBOR Loans, or a change shall result in the basis of taxation of payment to any Lender of the principal of or interest on its LIBOR Loans or its obligation to make LIBOR Loans (except for changes in the rate of Tax on the overall net income or gross receipts of such Lender imposed by the jurisdiction in which such Lender's principal executive office is located); or

(ii) any reserve (including any imposed by the Board of Governors), special deposits or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender shall be imposed or deemed applicable or any other condition affecting its LIBOR Loans or its obligation to make LIBOR Loans shall be imposed on such Lender or the London interbank market;

and as a result thereof there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining LIBOR Loans (except to the extent already included in the determination of the applicable Adjusted LIBOR Rate for LIBOR Loans), or there shall be a reduction in the amount received or receivable by such Lender, then such Lender shall, promptly after determining the existence or amount of any such increased costs for which such Lender seeks payment hereunder, give any Borrower notice thereof and Borrowers shall from time to time, upon written notice from and demand by such Lender (with a copy of such notice and demand to Agent), pay to Agent for the account of such Lender, within 5 Business Days after the date specified in such notice and demand, an additional amount sufficient to indemnify such Lender against such increased costs; provided that such Lender shall not be entitled to any such increased costs related to periods prior to 180 days before notice from such Lender. A certificate as to the amount of such increased cost, submitted to Borrowers by such Lender, shall be final, conclusive and binding for all purposes, absent manifest error.

If any Lender shall advise Agent at any time that, because of the circumstances described hereinabove in this **Section 2.7** or any other circumstances arising after the date of this Agreement affecting such Lender or the London interbank market or such Lender's or Bank's position in such market, the Adjusted LIBOR Rate, as determined by Agent, will not adequately and fairly reflect the cost to such Lender of funding LIBOR Loans, then, and in any such event:

(i) Agent shall forthwith give notice (by telephone confirmed in writing) to Borrowers and Lenders of such event;

(iii) Borrowers' right to request and such Lender's obligation to make LIBOR Loans shall be immediately suspended and Borrowers' right to continue a LIBOR Loan as such beyond the then applicable Interest Period shall also be suspended, until each condition giving rise to such suspension no longer exists; and

(iv) such Lender shall make a Base Rate Loan as part of the requested Borrowing of LIBOR Loans, which Base Rate Loan shall, for all purposes, be considered part of such Borrowing.

For purposes of this **Section 2.7**, all references to a Lender shall be deemed to include any bank holding company or bank parent of such Lender.

2.8. Capital Adequacy. If any Lender determines that after the date hereof (a) the adoption of any Applicable Law regarding capital requirements for banks or bank holding companies or the subsidiaries thereof, (b) any change in the interpretation or administration of any such Applicable Law by any Governmental Authority, central bank, or comparable agency charged with the interpretation or administration thereof, or (c) compliance by such Lender or its holding company with any request or directive of any such Governmental Authority, central bank or comparable agency regarding capital adequacy (whether or not having the force of law), has the effect of reducing the return on such Lender's capital to a level below that which such Lender could have achieved (taking into consideration such Lender's and its holding company's policies with respect to capital adequacy immediately before such adoption, change or compliance and assuming that such Lender's capital was fully utilized prior to such adoption, change or compliance) but for such adoption, change or compliance as a consequence of such Lender's commitment to make the Loans pursuant hereto by any amount deemed by such Lender to be material:

(i) Agent shall promptly, after its receipt of a certificate from such Lender setting forth such Lender's determination of such occurrence, give notice thereof to any Borrower and Lenders; and

(ii) Borrowers shall pay to Agent, for the account of such Lender, as an additional fee from time to time, **on demand**, such amount as such Lender certifies to be the amount reasonably calculated to compensate such Lender for such reduction.

A certificate of such Lender claiming entitlement to compensation as set forth above will be conclusive in the absence of manifest error. Such certificate will set forth the nature of the occurrence giving rise to such compensation, the additional amount or amounts to be paid to such Lender (including the basis for such Lender's determination of such amount), and the method by which such amounts were determined; provided that such Lender shall not be entitled to such additional amounts related to periods prior to 180 days before notice from such Lender. In determining such amount, such Lender may use any reasonable averaging and attribution method. For purposes of this **Section 2.8** all references to a Lender shall be deemed to include any bank holding company or bank parent of such Lender.

2.9. Funding Losses. If for any reason (other than due to a default by a Lender or as a result of a Lender's refusal to honor a LIBOR Loan request due to circumstances described in **Section 2.6** or **2.7** hereof) a Borrowing of, or conversion to or continuation of, LIBOR Loans does not occur on the date specified therefor in a Notice of Borrowing or Notice of Conversion/ Continuation (whether or not withdrawn), or if any repayment (including any conversions pursuant to **Section 2.1.2** hereof) of any of its LIBOR Loans occurs on a date that is not the last day of an Interest Period applicable thereto, or if for any reason Borrowers default in their obligation to repay LIBOR Loans when required by the terms of this Agreement, then Borrowers shall jointly and severally pay to Agent, for the ratable benefit of the affected Lenders, within 10 days after Agent's or an affected Lender's demand therefor, an amount (if a positive number) computed pursuant to the following formula:

$$L = \frac{(R - T) \times P \times D}{360}$$

where

- L = amount payable
- R = interest rate applicable to the LIBOR Loan unborrowed or prepaid
- T = effective interest rate per annum at which any readily marketable bond or other obligations of the United States, selected at Agent's sole discretion, maturing on or nearest the last day of the then applicable or requested Interest Period for such LIBOR Loan and in approximately the same amount as such LIBOR Loan, can be purchased by Agent on the day of such payment of principal or failure to borrow
- P = the amount of principal paid or the amount of the LIBOR Loan requested or to have been continued or converted
- D = the number of days remaining in the Interest Period as of the date of such prepayment or the number of days in the requested Interest Period

Borrowers shall pay such amount upon presentation by Agent of a statement setting forth the amount and Agent's calculation thereof pursuant hereto, which statement shall be deemed true and correct absent manifest error. For purposes of this **Section 2.9**, all references to a Lender shall be deemed to include any bank holding company or bank parent of such Lender.

2.10. Maximum Interest. Regardless of any provision contained in any of the Loan Documents, in no contingency or event whatsoever shall the aggregate of all amounts that are contracted for, charged or received by Agent and Lenders pursuant to the terms of this Agreement or any of the other Loan Documents and that are deemed interest under Applicable Law exceed the highest rate permissible under any Applicable Law. No agreements, conditions, provisions or stipulations contained in this Agreement or any of the other Loan Documents or the exercise by Agent of the right to accelerate the payment or the maturity of all or any portion of the Obligations, or the exercise of any option whatsoever contained in any of the Loan Documents, or the prepayment by any or all Borrowers of any of the Obligations, or the occurrence of any contingency whatsoever, shall entitle Agent or any Lender to charge or receive in any event, interest or any charges, amounts, premiums or fees deemed interest by Applicable Law (such interest, charges, amounts, premiums and fees referred to herein collectively as "Interest") in excess of the Maximum Rate and in no event shall Borrowers be obligated to pay Interest exceeding such

Maximum Rate, and all agreements, conditions or stipulations, if any, which may in any event or contingency whatsoever operate to bind, obligate or compel Borrowers to pay Interest exceeding the Maximum Rate shall be without binding force or effect, at law or in equity, to the extent only of the excess of Interest over such Maximum Rate. If any Interest is charged or received in excess of the Maximum Rate ("Excess"), each Borrower acknowledges and stipulates that any such charge or receipt shall be the result of an accident and bona fide error, and such Excess, to the extent received, shall be applied first to reduce the principal Obligations and the balance, if any, returned to Borrowers, it being the intent of the parties hereto not to enter into a usurious or otherwise illegal relationship. The right to accelerate the maturity of any of the Obligations does not include the right to accelerate any Interest that has not otherwise accrued on the date of such acceleration, and Agent and Lenders do not intend to collect any unearned Interest in the event of any such acceleration. Each Borrower recognizes that, with fluctuations in the rates of interest set forth in **Section 2.1.1** of this Agreement, and the Maximum Rate, such an unintentional result could inadvertently occur. All monies paid to Agent or any Lender hereunder or under any of the other Loan Documents, whether at maturity or by prepayment, shall be subject to any rebate of unearned Interest as and to the extent required by Applicable Law. By the execution of this Agreement, each Borrower covenants that (i) the credit or return of any Excess shall constitute the acceptance by such Borrower of such Excess, and (ii) no Borrower shall seek or pursue any other remedy, legal or equitable, against Agent or any Lender, based in whole or in part upon contracting for, charging or receiving any Interest in excess of the Maximum Rate. For the purpose of determining whether or not any Excess has been contracted for, charged or received by Agent or any Lender, all Interest at any time contracted for, charged or received from any or all Borrowers in connection with any of the Loan Documents shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated and spread in equal parts throughout the full term of the Obligations. Borrowers, Agent and Lenders shall, to the maximum extent permitted under Applicable Law, (i) characterize any non-principal payment as an expense, fee or premium rather than as Interest and (ii) exclude voluntary prepayments and the effects thereof. The provisions of this **Section 2.10** shall be deemed to be incorporated into every Loan Document (whether or not any provision of this Section is referred to therein). All such Loan Documents and communications relating to any Interest owed by any or all Borrowers and all figures set forth therein shall, for the sole purpose of computing the extent of Obligations, be automatically recomputed by Borrowers, and by any court considering the same, to give effect to the adjustments or credits required by this **Section 2.10**.

2.11. Affected Lenders. Within thirty (30) days after receipt by Borrower of written notice and demand from any Lender (an "Affected Lender") for payment of additional amounts or increased costs as provided in **Sections 2.7 or 2.8**, Borrower may, at its option, notify Agent and such Affected Lender of its intention to replace the Affected Lender. So long as no Default or Event of Default has occurred and is continuing Borrower, may obtain at Borrower's expense a replacement Lender ("Replacement Lender") for the Affected Lender, which Replacement Lender must be reasonably satisfactory to and consented to by Agent. If Borrower obtains a Replacement Lender within ninety (90) days following notice of its intention to do so, the Affected Lender must sell and assign its Loans and Commitments to such Replacement Lender for an amount equal to the principal balance of all Loans held by the Affected Lender and all accrued interest and fees with respect thereto through the date of such sale, and such assignment shall not require the payment of an assignment fee to Agent; provided, that Borrower shall have reimbursed such Affected Lender for the additional amounts or increased costs that it is entitled to receive under this Agreement through the date of such sale and assignment. Notwithstanding the foregoing, Borrower shall not have the right to obtain a Replacement Lender if the Affected Lender rescinds its demand for increased costs or additional amounts within 15 days following its receipt of Borrower's notice of intention to replace such Affected Lender. Furthermore, if Borrower gives a notice of intention to replace and does not so replace such Affected Lender within ninety (90) days thereafter, Borrower's rights under this **Section 2.11** shall terminate with respect to such Affected

Lender and Borrower shall promptly pay all increased costs or additional amounts demanded by such Affected Lender pursuant to Sections 2.7 and 2.8.

SECTION 3. LOAN ADMINISTRATION

3.1. Manner of Borrowing and Funding Revolver Loans. Borrowings under the Commitments established pursuant to **Section 1.1** hereof shall be made and funded as follows:

3.1.1. Notice of Borrowing.

(i) Whenever Borrowers desire to make a Borrowing under **Section 1.1** of this Agreement (other than a Borrowing resulting from a conversion or continuation pursuant to **Section 2.1.2**), Borrowers shall give Agent prior written notice (or electronic notice satisfactory to Agent) of such Borrowing request (a "Notice of Borrowing"), which shall be in the form of **Exhibit D** annexed hereto and signed by an authorized officer of Parent. Such Notice of Borrowing shall be given by such Borrower no later than 12:00 noon at the office of Agent designated by Agent from time to time (a) on the Business Day of the requested funding date of such Borrowing, in the case of Base Rate Loans, and (b) at least 3 Business Days prior to the requested funding date of such Borrowing, in the case of LIBOR Loans. Notices received after 12:00 noon shall be deemed received on the next Business Day. Any Revolver Loans made by each Lender on the Closing Date shall be in excess of \$250,000 and shall be made as Base Rate Loans and thereafter may be made or continued as or converted into Base Rate Loans or LIBOR Loans. Each Notice of Borrowing (or telephonic notice thereof) shall be irrevocable and shall specify (a) the principal amount of the Borrowing, (b) the date of Borrowing (which shall be a Business Day), (c) whether the Borrowing is to consist of Base Rate Loans or LIBOR Loans, (d) in the case of LIBOR Loans, the duration of the Interest Period to be applicable thereto, and (e) the account of Borrowers to which the proceeds of such Borrowing are to be disbursed. Borrowers may not request any LIBOR Loans if a Default or Event of Default exists.

(ii) Unless payment is otherwise timely made by Borrowers, the becoming due of any amount required to be paid under this Agreement or any of the other Loan Documents with respect to the Obligations (whether as principal, accrued interest, fees or other charges including the repayment of any LC Outstandings) shall be deemed irrevocably to be a request (without any requirement for the submission of a Notice of Borrowing) for Revolver Loans on the due date of, and in an aggregate amount required to pay, such Obligations, and the proceeds of such Revolver Loans may be disbursed by way of direct payment of the relevant Obligation and shall bear interest as Base Rate Loans. Neither Agent nor any Lender shall have any obligation to Borrowers to honor any deemed request for a Revolver Loan after the Commitment Termination Date, when an Out-of-Formula Condition exists or would result therefrom or when any condition precedent set forth in **Section 10** hereof is not satisfied, but may do so in their discretion and without regard to the existence of, and without being deemed to have waived, any Default or Event of Default and regardless of whether such Revolver Loan is funded after the Commitment Termination Date.

(iii) If Borrowers elect to establish a Controlled Disbursement Account with Bank or any Affiliate of Bank, then the presentation for payment by Bank of any check or other item of payment drawn on the Controlled Disbursement Account at a time when there are insufficient funds in such account to cover such check shall be deemed irrevocably to be a request (without any requirement for the submission of a Notice of Borrowing) for Revolver Loans on the date of such presentation and in any amount equal to the aggregate amount of the items presented for payment, and the proceeds of such Revolver Loans may be disbursed to the Controlled

Disbursement Account and shall bear interest as Base Rate Loans. Neither Agent nor any Lender shall have any obligation to honor any deemed request for a Revolver Loan after the Commitment Termination Date or when an Out-of-Formula Condition exists or would result therefrom or when any condition precedent in **Section 10** hereof is not satisfied, but may do so in its discretion and without regard to the existence of, and without being deemed to have waived, any Default or Event of Default and regardless of whether such Revolver Loan is funded after the Commitment Termination Date.

(iv) As an accommodation to Borrowers, Agent and Lenders may permit telephonic requests for Borrowings and electronic transmittal of instructions, authorizations, agreements or reports to Agent by Borrowers; provided, however, that Borrowers shall confirm each such telephonic request for a Borrowing of LIBOR Loans by delivery of the required Notice of Borrowing to Agent by facsimile transmission promptly, but in no event later than 5:00 p.m. on the same day. Neither Agent nor any Lender shall have any liability to Borrowers for any loss or damage suffered by such Borrowers as a result of Agent's or any Lender's honoring of any requests, execution of any instructions, authorizations or agreements or reliance on any reports communicated to it telephonically or electronically and purporting to have been sent to Agent or Lenders by a Borrower and neither Agent nor any Lender shall have any duty to verify the origin of any such communication or the identity or authority of the Person sending it.

3.1.2. Fundings by Lenders. Subject to its receipt of notice from Agent of a Notice of Borrowing as provided in **Section 3.1.1(i)** (except in the case of a deemed request by a Borrower for a Revolver Loan as provided in **Sections 3.1.1(ii)** or **(iii)** or **3.1.3(ii)** hereof, in which event no Notice of Borrowing need be submitted), each Lender shall timely honor its Commitment by funding its Pro Rata share of each Borrowing of Revolver Loans that is properly requested by a Borrower and that such Borrower is entitled to receive under the Loan Agreement. Agent shall endeavor to notify Lenders of each Notice of Borrowing (or deemed request for a Borrowing pursuant to **Section 3.1.1(ii)** or **(iii)** hereof) by 12:00 noon on the proposed funding date (in the case of Base Rate Loans) or by 3:00 p.m. at least 2 Business Days before the proposed funding date (in the case of LIBOR Loans). Each Lender shall deposit with Agent an amount equal to its Pro Rata share of the Borrowing requested or deemed requested by such Borrower at Agent's designated bank in immediately available funds not later than 2:00 p.m. on the date of funding of such Borrowing, unless Agent's notice to Lenders is received after 12:00 noon on the proposed funding date of a Base Rate Loan, in which event Lenders shall deposit with Agent their respective Pro Rata shares of the requested Borrowing on or before 11:00 a.m. of the next Business Day. Subject to its receipt of such amounts from Lenders, Agent shall make the proceeds of the Revolver Loans received by it available to such Borrower by disbursing such proceeds in accordance with such Borrower's disbursement instructions set forth in the applicable Notice of Borrowing. Neither Agent nor any Lender shall have any liability on account of any delay by any bank or other depository institution in treating the proceeds of any Revolver Loan as collected funds or any delay in receipt, or any loss, of funds that constitute a Revolver Loan, the wire transfer of which was initiated by Agent in accordance with wiring instructions provided to Agent. Unless Agent shall have been notified in writing by a Lender prior to the proposed time of funding that such Lender does not intend to deposit with Agent an amount equal such Lender's Pro Rata share of the requested Borrowing (or deemed request for a Borrowing pursuant to **Section 3.1.1(ii)** or **(iii)** hereof), Agent may assume that such Lender has deposited or promptly will deposit its share with Agent and Agent may in its discretion disburse a corresponding amount to such Borrower on the applicable funding date. If a Lender's Pro Rata share of such Borrowing is not in fact deposited with Agent, then, if Agent has disbursed to such Borrower an amount corresponding to such share, then such Lender agrees to pay, and in addition Borrowers jointly and severally agree to repay, to Agent forthwith on demand such corresponding amount, together with interest thereon, for each day from the date such amount is disbursed by Agent to or for the benefit of such Borrower until the date such amount is paid or repaid to Agent, (a) in the case of Borrowers, at the

interest rate applicable to such Borrowing and (b) in the case of such Lender, at the Federal Funds Rate. If such Lender repays to Agent such corresponding amount, such amount so repaid shall constitute a Revolver Loan, and if both such Lender and Borrowers shall have repaid such corresponding amount, Agent shall promptly return to Borrowers such corresponding amount in same day funds. A notice from Agent submitted to any Lender with respect to amounts owing under this **Section 3.1.2** shall be conclusive, absent manifest error.

3.1.3. Settlement and Settlement Loans.

(i) In order to facilitate the administration of the Revolver Loans under this Agreement, Lenders agree (which agreement shall be solely between Lenders and Agent and shall not be for the benefit of or enforceable by any Borrower) that settlement among them with respect to the Revolver Loans shall take place at least once per week (each a "Settlement Date"), which may occur before or after the occurrence or during the continuance of a Default or Event of Default and whether or not all of the conditions set forth in **Section 10** of this Agreement have been met. On each Settlement Date, payment shall be made by or to each Lender in the manner provided herein and in accordance with the Settlement Report delivered by Agent to Lenders with respect to such Settlement Date so that, as of each Settlement Date and after giving effect to the transaction to take place on such Settlement Date, each Lender shall hold its Pro Rata share of all Revolver Loans and participations in LC Outstandings then outstanding.

(ii) Between Settlement Dates, Agent may request Bank to advance, and Bank may, but shall in no event be obligated to, advance to Borrowers out of Bank's own funds the entire principal amount of any Borrowing of Revolver Loans that are Base Rate Loans requested or deemed requested pursuant to this Agreement (any such Revolver Loan funded exclusively by Agent being referred to as a "Settlement Loan"). Each Settlement Loan shall constitute a Revolver Loan hereunder and shall be subject to all of the terms, conditions and security applicable to other Revolver Loans, except that all payments thereon shall be payable to Bank solely for its own account. The obligation of Borrowers to repay such Settlement Loans to Bank shall be evidenced by the records of Bank and need not be evidenced by any promissory note. Agent shall not request Bank to make any Settlement Loan if (A) Agent shall have received written notice from any Lender that one or more of the applicable conditions precedent set forth in **Section 10** hereof will not be satisfied on the requested funding date for the applicable Borrowing or (B) the requested Borrowing would exceed the amount of Availability on the funding date or would cause the then outstanding principal balance of all Settlement Loans to exceed \$10,000,000. Bank shall not be required to determine whether the applicable conditions precedent set forth in **Section 10** hereof have been satisfied or the requested Borrowing would exceed the amount of Availability on the funding date applicable thereto prior to making, in its sole discretion, any Settlement Loan. On each Settlement Date, or, if earlier, upon demand by Agent for payment thereof, the then outstanding Settlement Loans shall be immediately due and payable. As provided in **Section 3.1.1(ii)**, Borrowers shall be deemed to have requested (without the necessity of submitting any Notice of Borrowing) Revolver Loans to be made on each Settlement Date in the amount of all outstanding Settlement Loans and to have Agent cause the proceeds of such Revolver Loans to be applied to the repayment of such Settlement Loans and interest accrued thereon. Agent shall notify the Lenders of the outstanding balance of Revolver Loans prior to 11:00 a.m. on each Settlement Date and each Lender (other than Bank) shall deposit with Agent (without setoff, counterclaim or reduction of any kind) an amount equal to its Pro Rata share of the amount of Revolver Loans deemed requested in immediately available funds not later than 2:00 p.m. on such Settlement Date, and without regard to whether any of the conditions precedent set forth in **Section 10** hereof are satisfied or the Commitment Termination Date has occurred. If as the result of the commencement by or against any Borrower of any

Insolvency Proceeding or otherwise any Settlement Loan may not be repaid by the funding by Lenders of Revolver Loans, then each Lender (other than Bank) shall be deemed to have purchased as a participating interest in any unpaid Settlement Loan in an amount equal to such Lender's Pro Rata share of such Settlement Loan and shall transfer to Bank, in immediately available funds, not later than the second Business Day after Bank's request therefor, the amount of such Lender's participation. The proceeds of Settlement Loans may be used solely for purposes for which Revolver Loans generally may be used in accordance with **Section 1.1.3** hereof. If any amounts received by Bank in respect of any Settlement Loans are later required to be returned or repaid by Bank to any or all Borrowers or any other Obligor or their respective representatives or successors-in-interest, whether by court order, settlement or otherwise, the other Lenders shall, upon demand by Bank with notice to Agent, pay to Agent for the account of Bank, an amount equal to each other Lender's Pro Rata share of all such amounts required to be returned by Bank.

3.1.4. **Disbursement Authorization.** Each Borrower hereby irrevocably authorizes Agent to disburse the proceeds of each Revolver Loan requested by any Borrower, or deemed to be requested pursuant to **Section 3.1.1** or **Section 3.1.3(ii)**, as follows: (i) the proceeds of each Revolver Loan requested under **Section 3.1.1(i)** shall be disbursed by Agent by wire transfer to such bank account as may be agreed upon by any Borrower and Agent from time to time or elsewhere if pursuant to a written direction from such Borrower; and (ii) the proceeds of each Revolver Loan requested under **Section 3.1.1(ii)** or **Section 3.1.3(ii)** shall be disbursed by Agent by way of direct payment of the relevant interest or other Obligation. Any Loan proceeds received by any Borrower or in payment of any of the Obligations shall be deemed to have been received by all Borrowers.

3.2. Defaulting Lender. If any Lender shall, at any time, fail to make any payment to Agent that is required hereunder, Agent may, but shall not be required to, retain payments that would otherwise be made to such defaulting Lender hereunder and apply such payments to such defaulting Lender's defaulted obligations hereunder, at such time, and in such order, as Agent may elect in its sole discretion. With respect to the payment of any funds from Agent to a Lender or from a Lender to Agent, the party failing to make the full payment when due pursuant to the terms hereof shall, upon demand by the other party, pay such amount together with interest on such amount at the Federal Funds Rate. The failure of any Lender to fund its portion of any Revolver Loan shall not relieve any other Lender of its obligation, if any, to fund its portion of the Revolver Loan on the date of Borrowing, but no Lender shall be responsible for the failure of any other Lender to make any Revolver Loan to be made by such Lender on the date of any Borrowing. Solely as among the Lenders and solely for purposes of voting or consenting to matters with respect to any of the Loan Documents, Collateral or any Obligations and determining a defaulting Lender's Pro Rata share of payments and proceeds of Collateral pending such defaulting Lender's cure of its defaults hereunder, a defaulting Lender shall not be deemed to be a "Lender" and such Lender's Commitment shall be deemed to be zero (0). The provisions of this **Section 3.2** shall be solely for the benefit of Agent and Lenders and may not be enforced by Borrowers.

3.3. Special Provisions Governing LIBOR Loans.

3.3.1. **Number of LIBOR Loans.** In no event may the number of LIBOR Loans outstanding at any time to any Lender exceed six (6).

3.3.2. **Minimum Amounts.** Each Borrowing of LIBOR Loans pursuant to **Section 3.1.1(i)**, and each continuation of or conversion to LIBOR Loans pursuant to **Section 2.1.2** hereof, shall be in a minimum amount of \$500,000 and integral multiples of \$500,000 in excess of that amount.

3.3.3. **LIBOR Lending Office.** Each Lender's initial LIBOR Lending Office is set forth opposite its name on the signature pages hereof. Each Lender shall have the right at any time and from time to time to designate a different office of itself or of any Affiliate as such Lender's LIBOR Lending Office, and to transfer any outstanding LIBOR Loans to such LIBOR Lending Office. No such designation or transfer shall result in any liability on the part of Borrowers for increased costs or expenses resulting solely from such designation or transfer. Increased costs or expenses resulting from a change in Applicable Law occurring subsequent to any such designation or transfer shall be deemed not to result solely from such designation or transfer.

3.3.4. **Funding of LIBOR Loans.** Each Lender may, if it so elects, fulfill its obligation to make, continue or convert LIBOR Loans hereunder by causing one of its foreign branches or Affiliates (or an international banking facility created by such Lender) to make or maintain such LIBOR Loans; provided, however, that such LIBOR Loans shall nonetheless be deemed to have been made and to be held by such Lender, and the obligation of Borrowers to repay such LIBOR Loans shall nevertheless be to such Lender for the account of such foreign branch, Affiliate or international banking facility. The calculation of all amounts payable to Lender under **Section 2.7** and **2.9** shall be made as if each Lender had actually funded or committed to fund its LIBOR Loan through the purchase of an underlying deposit in an amount equal to the amount of such LIBOR Loan and having a maturity comparable to the relevant Interest Period for such LIBOR Loans; provided, however, each Lender may fund its LIBOR Loans in any manner it deems fit and the foregoing presumption shall be utilized only for the calculation of amounts payable under **Section 2.7** and **Section 2.9**.

3.4. **Borrowers' Representative.** Each Borrower hereby irrevocably appoints Parent and Parent agrees to act under this Agreement, as the agent and representative of itself and each other Borrower for all purposes under this Agreement, including requesting Borrowings, selecting whether any Loan or portion thereof is to bear interest as a Base Rate Loan or a LIBOR Loan, and receiving account statements and other notices and communications to Borrowers (or any of them) from Agent. Agent may rely, and shall be fully protected in relying, on any Notice of Borrowing, Notice of Conversion/Continuation, disbursement instructions, reports, information, Borrowing Base Certificate or any other notice or communication made or given by Parent, whether in its own name, on behalf of any Borrower or on behalf of "the Borrowers," and Agent shall have no obligation to make any inquiry or request any confirmation from or on behalf of any other Borrower as to the binding effect on such Borrower of any such Notice of Borrowing, Notice of Conversion, Continuation, instruction, report, information, Borrowing Base Certificate or other notice or communication, nor shall the joint and several character of Borrowers' liability for the Obligations be affected, provided that the provisions of this **Section 3.4** shall not be construed so as to preclude any Borrower from directly requesting Borrowings or taking other actions permitted to be taken by "a Borrower" hereunder. Agent may maintain a single Loan Account in the name of "Integrated Electrical Services, Inc." hereunder, and each Borrower expressly agrees to such arrangement and confirms that such arrangement shall have no effect on the joint and several character of such Borrower's liability for the Obligations.

3.5. **All Loans to Constitute One Obligation.** The Loans shall constitute one general Obligation of Borrowers and (unless otherwise expressly provided in any Security Document) shall be secured by Agent's Lien upon all of the Collateral; provided, however, that Agent and each Lender shall be deemed to be a creditor of each Borrower and the holder of a separate claim against each Borrower to the extent of any Obligations jointly and severally owed by Borrowers to Agent or such Lender.

SECTION 4. PAYMENTS

4.1. **General Repayment Provisions.** All payments (including all prepayments) of principal of and interest on the Loans, LC Outstandings and other Obligations that are payable to Agent or any

Lender shall be made to Agent in Dollars without any offset or counterclaim and free and clear of (and without deduction for) any present or future Taxes, and, with respect to payments made other than by application of balances in the Payment Account, in immediately available funds not later than 12:00 noon on the due date (and payment made after such time on the due date to be deemed to have been made on the next succeeding Business Day). All payments received by Agent shall be distributed by Agent in accordance with **Section 4.6** hereof, subject to the rights of offset that Agent may have as to amounts otherwise to be remitted to a particular Lender by reason of amounts due Agent from such Lender under any of the Loan Documents.

4.2. Repayment of Revolver Loans.

4.2.1. Payment of Principal. The outstanding principal amounts with respect to the Revolver Loans shall be repaid as follows:

(i) Any portion of the Revolver Loans consisting of the principal amount of Base Rate Loans shall be paid by Borrowers to Agent, for the Pro Rata benefit of Lenders (or, in the case of Settlement Loans, for the sole benefit of Agent) unless timely converted to a LIBOR Loan in accordance with this Agreement, immediately upon (a) each receipt by Agent, any Lender or Borrower of any proceeds of any of the Accounts or Inventory, to the extent of such proceeds, (b) the Commitment Termination Date, and (c) in the case of Settlement Loans, the earlier of Agent's demand for payment or on each Settlement Date with respect to all Settlement Loans outstanding on such date.

(ii) Any portion of the Revolver Loans consisting of the principal amount of LIBOR Loans shall be paid by Borrowers to Agent, for the Pro Rata benefit of Lenders, unless converted to a Base Rate Loan or continued as a LIBOR Loan in accordance with the terms of this Agreement, immediately upon (a) the last day of the Interest Period applicable thereto and (b) the Commitment Termination Date. In no event shall Borrowers be authorized to make a voluntary prepayment with respect to any Revolver Loan outstanding as a LIBOR Loan prior to the last day of the Interest Period applicable thereto unless (x) otherwise agreed in writing by Agent or Borrowers are otherwise expressly authorized or required by any other provision of this Agreement to pay any LIBOR Loan outstanding on a date other than the last day of the Interest Period applicable thereto, and (y) Borrowers pay to Agent, for the Pro Rata benefit of Lenders, concurrently with any prepayment of a LIBOR Loan, any amount due Agent and Lenders under **Section 2.9** hereof as a consequence of such prepayment.

(iii) Notwithstanding anything to the contrary contained elsewhere in this Agreement, if an Out-of-Formula Condition shall exist, Borrowers shall, on the sooner to occur of Agent's demand or the first Business Day after any Borrower has obtained knowledge of such Out-of-Formula Condition, repay the outstanding Revolver Loans that are Base Rate Loans in an amount sufficient to reduce the aggregate unpaid principal amount of all Revolver Loans by an amount equal to such excess; and, if such payment of Base Rate Loans is not sufficient to eliminate the Out-of-Formula Condition, then Borrowers shall immediately either (a) deposit with Agent, for the Pro Rata benefit of Lenders, for application to any outstanding Revolver Loans bearing interest as LIBOR Loans as the same become due and payable (whether at the end of the applicable Interest Periods or on the Commitment Termination Date) cash in an amount sufficient to eliminate such Out-of-Formula Condition, to be held by Agent pending disbursement of same to Lenders, but subject to Agent's Lien thereon and rights of offset with respect thereto, or (b) pay the Revolver Loans outstanding as LIBOR Loans to the extent necessary to eliminate such Out-of-Formula Condition and also pay to Agent for the Pro Rata benefit of Lenders any and all

amounts required by **Section 2.9** hereof to be paid by reason of the prepayment of a LIBOR Loan prior to the last day of the Interest Period applicable thereto.

4.2.2. **Payment of Interest.** Interest accrued on the Revolver Loans shall be due and payable on (i) the first calendar day of each month (for the immediately preceding month), computed through the last calendar day of the preceding month, with respect to any Revolver Loan (whether a Base Rate Loan or LIBOR Loan) and (ii) the last day of the applicable Interest Period in the case of a LIBOR Loan. Accrued interest shall also be paid by Borrowers on the Commitment Termination Date. With respect to any Base Rate Loan converted into a LIBOR Loan pursuant to **Section 2.1.2** on a day when interest would not otherwise have been payable with respect to such Base Rate Loan, accrued interest to the date of such conversion on the amount of such Base Rate Loan so converted shall be paid on the conversion date.

4.3. Intentionally Omitted.

4.4. Payment of Other Obligations. The balance of the Obligations requiring the payment of money, including the LC Outstandings and Extraordinary Expenses incurred by Agent or any Lender shall be repaid by Borrowers to Agent for allocation among Agent and Lenders as provided in the Loan Documents, or, if no date of payment is otherwise specified in the Loan Documents, **on demand**.

4.5. Marshaling; Payments Set Aside. None of Agent or any Lender shall be under any obligation to marshal any assets in favor of any Borrower or any other Obligor or against or in payment of any or all of the Obligations. To the extent that Borrowers make a payment or payments to Agent or Lenders or any of such Persons receives payment from the proceeds of any Collateral or exercises its right of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other Person, then to the extent of any loss by Agent or Lenders, the Obligations or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment or proceeds had not been made or received and any such enforcement or setoff had not occurred. The provisions of the immediately preceding sentence of this **Section 4.5** shall survive any termination of the Commitments and payment in full of the Obligations.

4.6. Agent's Allocation of Payments and Collections.

4.6.1. **Allocation of Payments.** All monies to be applied to the Obligations, whether such monies represent voluntary payments by one or more Obligors or are received pursuant to demand for payment or realized from any disposition of Collateral, shall be allocated among Agent and such of the Lenders as are entitled thereto (and, with respect to monies allocated to Lenders, on a Pro Rata basis unless otherwise provided herein): (i) first, to Agent to pay principal and accrued interest on any portion of the Revolver Loans which Agent may have advanced on behalf of any Lender and for which Agent has not been reimbursed by such Lender or Borrower; (ii) second, to Bank to pay the principal and accrued interest on any portion of the Settlement Loans outstanding, to be shared with Lenders that have acquired a participating interest in such Settlement Loans; (iii) third, to the extent that Agent has not received from any Participating Lender a payment in connection with an unreimbursed payment made by Agent under Credit Support, to Agent to pay all amounts owing to Agent pursuant to payments made by Agent pursuant to Credit Support; (iv) fourth, to Agent to pay the amount of Extraordinary Expenses and amounts owing to Agent pursuant to **Section 14.10** hereof that have not been reimbursed to Agent by Borrower or Lenders, together with interest accrued thereon at the rate applicable to Revolver Loans

that are Base Rate Loans; (v) fifth, to Agent to pay any Indemnified Amount that has not been paid to Agent by Obligors or Lenders, together with interest accrued thereon at the rate applicable to Revolver Loans that are Base Rate Loans; (vi) sixth, to Agent to pay any fees due and payable to Agent; (vii) seventh, to Lenders for any Indemnified Amount that they have paid to Agent and any Extraordinary Expenses that they have reimbursed to Agent or themselves incurred, to the extent that Lenders have not been reimbursed by Obligors therefor; (viii) eighth, to Agent to pay principal and interest with respect to LC Outstandings (or to the extent any of the LC Outstandings are contingent and an Event of Default then exists, deposited in the Cash Collateral Account to provide security for the payment of the LC Outstandings), which payment shall be shared with the Participating Lenders in accordance with **Section 1.2.8(b)** hereof; (ix) ninth, to Lenders in payment of the unpaid principal and accrued interest in respect of the Loans and any other Obligations (other than amounts relating to Bank Products) then outstanding to be shared ratably in proportion to their respective shares of such Loans and other obligations, or on such other basis as may be agreed upon in writing by Lenders (which agreement or agreements may be entered into without notice to or the consent or approval of Borrowers); and tenth, in payment of any amount relating to Bank Products. The allocations set forth in this **Section 4.6** are solely to determine the rights and priorities of Agent and Lenders as among themselves and may be changed by Agent and Lenders without notice to or the consent or approval of Borrower or any other Person.

4.6.2. **Erroneous Allocation.** Agent shall not be liable for any allocation or distribution of payments made by it in good faith and, if any such allocation or distribution is subsequently determined to have been made in error, the sole recourse of any Lender to whom payment was due but not made shall be to recover from the other Lenders any payment in excess of the amount to which such other Lenders are determined to be entitled (and such other Lenders hereby agree to return to such Lender any such erroneous payments received by them).

4.7. **Application of Payments and Collections.** All Payment Items received by Agent by 12:00 noon on any Business Day shall be deemed received on that Business Day. All Payment Items received by Agent after 12:00 noon on any Business Day shall be deemed received on the following Business Day. Except to the extent that the manner of application to the Obligations of payments or proceeds of Collateral is expressly governed by other provisions of this Agreement, each Borrower irrevocably waives the right to direct the application of any and all payments and Collateral proceeds at any time or times hereafter received by Agent or any Lender from or on behalf of such Borrower, and each Borrower does hereby irrevocably agree that Agent shall have the continuing exclusive right to apply and reapply any and all such payments and Collateral proceeds received at any time or times hereafter by Agent or its agent against the Obligations, in such manner as Agent may deem advisable, notwithstanding any entry by Agent upon any of its books and records. If as the result of Agent's collection of proceeds of Accounts and other Collateral as authorized by **Section 7.2.6** a credit balance exists, such credit balance shall not accrue interest in favor of Borrowers, but shall be available to Borrowers at any time or times for so long as no Default or Event of Default exists. Lenders may, at their option, offset such credit balance against any of the Obligations upon and after the occurrence of an Event of Default.

4.8. Loan Accounts; the Register; Account Stated.

4.8.1. **Loan Accounts.** Each Lender shall maintain in accordance with its usual and customary practices an account or accounts (a "Loan Account") evidencing the Debt of Borrowers to such Lender resulting from each Loan owing to such Lender from time to time, including the amount of principal and interest payable to such Lender from time to time hereunder and under each Note payable to such Lender. Any failure of a Lender to record in the Loan Account, or any error in doing so, shall not limit or otherwise affect the obligation of Borrowers hereunder (or under any Note) to pay any amount owing hereunder to such Lender.

4.8.2. **The Register.** Agent shall maintain a register (the "Register") which shall include a master account and a subsidiary account for each Lender and in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of each Loan comprising such Borrowing and any Interest Period applicable thereto, (ii) the effective date and amount of each Assignment and Acceptance delivered to and accepted by it and the parties thereto, (iii) the amount of any principal or interest due and payable or to become due and payable from Borrowers to each Lender hereunder or under the Notes, and (iv) the amount of any sum received by Agent from Borrowers or any other Obligor and each Lender's share thereof. The Register shall be available for inspection by Borrowers or any Lender at the offices of Agent at any reasonable time and from time to time upon reasonable prior notice. Any failure of Agent to record in the Register, or any error in doing so, shall not limit or otherwise affect the obligation of Borrowers hereunder (or under any Note) to pay any amount owing with respect to the Loans or provide the basis for any claim against Agent.

4.8.3. **Entries Binding.** The entries made in the Register and each Loan Account shall constitute rebuttably presumptive evidence of the information contained therein; provided, however, that if a copy of information contained in the Register or any Loan Account is provided to any Person, or any Person inspects the Register or any Loan Account, at any time or from time to time, then the information contained in the Register or the Loan Account, as applicable shall be conclusive and binding on such Person for all purposes absent manifest error, unless such Person notifies Agent in writing within 30 days after such Person's receipt of such copy or such Person's inspection of the Register or Loan Account of its intention to dispute the information contained therein.

4.9. **Gross Up for Taxes.** If Borrowers shall be required by Applicable Law to withhold or deduct any Taxes from or in respect of any sum payable under this Agreement or any of the other Loan Documents, (a) the sum payable to Agent or such Lender shall be increased as may be necessary so that, after making all required withholding or deductions, Agent or such Lender (as the case may be) receives an amount equal to the sum it would have received had no such withholding or deductions been made, (b) Borrowers shall make such withholding or deductions, and (c) Borrowers shall pay the full amount withheld or deducted to the relevant taxation authority or other authority in accordance with Applicable Law.

4.10. **Withholding Tax Exemption.** At least 5 Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Lender, each Lender that is not incorporated under the laws of the United States or any state thereof agrees that it will deliver to Borrowers and Agent 2 duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Lender is entitled to receive payment under this Agreement and its Notes without deduction or withholding of any United States federal income taxes. Each Lender which so delivers a Form W-8BEN or W-8ECI further undertakes to deliver to Borrowers and Agent 2 additional copies of such form (or a successor form) on or before the date that such form expires (currently, 3 successive calendar years for Form W-8BEN and one calendar year for Form W-8ECI) or becomes obsolete or after the occurrence of any event requiring a change in the form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by Borrowers or Agent, in each case, certifying that such Lender is entitled to receive payments under this Agreement and its Notes without deduction or withholding of any United States federal income taxes, unless an event (including any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required that renders all such forms inapplicable or that would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender advises Borrowers and Agent that it is not capable or receiving payments without any deduction or withholding of United States federal income taxes.

4.11. Nature and Extent of Each Borrower's Liability.

4.11.1. Joint and Several Liability. Each Borrower shall be liable for, on a joint and several basis, and hereby guarantees the timely payment by all other Borrowers of, all of the Loans and other Obligations, regardless of which Borrower actually may have received the proceeds of any Loans or other extensions of credit hereunder or the amount of such Loans received or the manner in which Agent or any Lender accounts for such Loans or other extensions of credit on its books and records, it being acknowledged and agreed that Loans to any Borrower inure to the mutual benefit of all Borrowers and that Agent and Lenders are relying on the joint and several liability of Borrowers in extending the Loans and other financial accommodations hereunder. Each Borrower hereby unconditionally and irrevocably agrees that upon default in the payment when due (whether at stated maturity, by acceleration or otherwise) of any principal of, or interest owed on, any of the Loans or other Obligations, such Borrower shall forthwith pay the same, without notice or demand.

4.11.2. Unconditional Nature of Liability. Each Borrower's joint and several liability hereunder with respect to, and guaranty of, the Loans and other Obligations shall, to the fullest extent permitted by Applicable Law, be unconditional irrespective of (i) the validity, enforceability, avoidance or subordination of any of the Obligations or of any promissory note or other document evidencing all or any part of the Obligations, (ii) the absence of any attempt to collect any of the Obligations from any other Obligor or any Collateral or other security therefor, or the absence of any other action to enforce the same, (iii) the waiver, consent, extension, forbearance or granting of any indulgence by Agent or any Lender with respect to any provision of any instrument evidencing or securing the payment of any of the Obligations, or any other agreement now or hereafter executed by any other Borrower and delivered to Agent or any Lender, (iv) the failure by Agent to take any steps to perfect or maintain the perfected status of its security interest in or Lien upon, or to preserve its rights to, any of the Collateral or other security for the payment or performance of any of the Obligations or Agent's release of any Collateral or of its Liens upon any Collateral, (v) Agent's or Lenders' election, in any proceeding instituted under the Bankruptcy Code, for the application of Section 1111(b)(2) of the Bankruptcy Code, (vi) any borrowing or grant of a security interest by any other Borrower, as debtor-in-possession under Section 364 of the Bankruptcy Code, (vii) the release or compromise, in whole or in part, of the liability of any Obligor for the payment of any of the Obligations, (viii) any amendment or modification of any of the Loan Documents or waiver of any Default or Event of Default thereunder, (ix) any increase in the amount of the Obligations beyond any limits imposed herein or in the amount of any interest, fees or other charges payable in connection therewith, or any decrease in the same, (x) the disallowance of all or any portion of Agent's or any Lender's claims for the repayment of any of the Obligations under Section 502 of the Bankruptcy Code, or (xi) any other circumstance that might constitute a legal or equitable discharge or defense of any Borrower other than irrevocable payment. After the occurrence and during the continuance of any Event of Default, Agent may proceed directly and at once, without notice to any Obligor, against any or all of Obligors to collect and recover all or any part of the Obligations, without first proceeding against any other Obligor or against any Collateral or other security for the payment or performance of any of the Obligations, and each Borrower waives any provision that might otherwise require Agent under Applicable Law to pursue or exhaust its remedies against any Collateral or Obligor before pursuing another Obligor. Each Borrower consents and agrees that Agent shall be under no obligation to marshal any assets in favor of any Obligor or against or in payment of any or all of the Obligations.

4.11.3. No Reduction in Liability for Obligations. No payment or payments made by an Obligor or received or collected by Agent from a Borrower or any other Person by virtue of any action or proceeding or any setoff or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Borrower under this Agreement, each of whom shall remain jointly and severally liable for the

payment and performance of all Loans and other Obligations until the Obligations are paid in full and this Agreement is terminated.

4.11.4. **Contribution.** Each Borrower is unconditionally obligated to repay the Obligations as a joint and several obligor under this Agreement. If, as of any date, the aggregate amount of payments made by a Borrower on account of the Obligations and proceeds of such Borrower's Collateral that are applied to the Obligations exceeds the aggregate amount of Loan proceeds actually used by such Borrower in its business (such excess amount being referred to as an "Accommodation Payment"), then each of the other Borrowers (each such Borrower being referred to as a "Contributing Borrower") shall be obligated to make contribution to such Borrower (the "Paying Borrower") in an amount equal to (A) the product derived by multiplying the sum of each Accommodation Payment of each Borrower by the Allocable Percentage of the Borrower from whom contribution is sought less (B) the amount, if any, of the then outstanding Accommodation Payment of such Contributing Borrower (such last mentioned amount which is to be subtracted from the aforesaid product to be increased by any amounts theretofore paid by such Contributing Borrower by way of contribution hereunder, and to be decreased by any amounts theretofore received by such Contributing Borrower by way of contribution hereunder); provided, however, that a Paying Borrower's recovery of contribution hereunder from the other Borrowers shall be limited to that amount paid by the Paying Borrower in excess of its Allocable Percentage of all Accommodation Payments then outstanding of all Borrowers. As used herein, the term "Allocable Percentage" shall mean, on any date of determination thereof, a fraction the denominator of which shall be equal to the number of Borrowers who are parties to this Agreement on such date and the numerator of which shall be 1; provided, however, that such percentages shall be modified in the event that contribution from a Borrower is not possible by reason of insolvency, bankruptcy or otherwise by reducing such Borrower's Allocable Percentage equitably and by adjusting the Allocable Percentage of the other Borrowers proportionately so that the Allocable Percentages of all Borrowers at all times equals 100%.

4.11.5. **Subordination.** Each Borrower hereby subordinates any claims, including any right of payment, subrogation, contribution and indemnity, that it may have from or against any other Obligor, and any successor or assign of any other Obligor, including any trustee, receiver or debtor-in-possession, howsoever arising, due or owing or whether heretofore, now or hereafter existing, to the payment in full of all of the Obligations.

SECTION 5. ORIGINAL TERM AND TERMINATION OF COMMITMENTS

5.1. **Original Term of Commitments.** Subject to each Lender's right to cease making Loans and other extensions of credit to Borrowers when any Default or Event of Default exists or upon termination of the Commitments as provided in **Section 5.2** hereof, the Commitments shall be in effect for a period of two years from the date hereof, through the close of business on May 12, 2008 (the "Original Term").

5.2. Termination.

5.2.1. **Termination by Agent.** The Commitments shall automatically terminate as of the last day of the Original Term, unless extended in writing by Agent and all Lenders. In addition, Agent may (and upon the direction of the Required Lenders, shall) terminate the Commitments without notice upon or after the occurrence and during the continuation of an Event of Default; provided, however, that the Commitments shall automatically terminate as provided in **Section 11.2** hereof.

5.2.2. **Termination by Borrowers.** Upon at least 10 days prior written notice to Agent, any Borrower may, at its option, terminate the Commitments; provided, however, no such termination by

any Borrower shall be effective until Borrowers have satisfied all of the Obligations and executed in favor of and delivered to Agent and Lenders a general release of all Claims that Borrowers may have against Agent or any Lender. Any notice of termination given by Borrowers shall be irrevocable unless Agent otherwise agrees in writing. Borrowers may elect to terminate the Commitments in their entirety only. No section of this Agreement, Type of Loan available hereunder or Commitment may be terminated by Borrowers singly.

5.2.3. **Termination Charges.** On the effective date of termination of the Commitments pursuant to **Section 5.2.2**, Borrowers shall be jointly and severally obligated to pay to Agent, for the Pro Rata benefit of Lenders (in addition to the then outstanding principal, accrued interest, fees and other charges owing under the terms of this Agreement and any of the other Loan Documents), as liquidated damages for the loss of the bargain and not as a penalty, an amount equal to 1.00% of the aggregate Commitments.

5.2.4. **Effect of Termination.** On the effective date of termination of the Commitments by Agent or by Borrowers, all Obligations shall be immediately finally and indefeasibly due and payable in full and Lenders shall have no obligation to make any Loans and Agent shall have no obligation to cause the Letter of Credit Issuer to issue any Letters of Credit. All undertakings, agreements, covenants, warranties and representations of each Borrower contained in the Loan Documents shall survive any such termination and Agent shall retain its Liens in the Collateral and all of its rights and remedies under the Loan Documents notwithstanding such termination until Borrowers have satisfied the Obligations to Agent and Lenders, in full. For purposes of this Agreement, the Obligations shall not be deemed to have been satisfied until all Obligations for the payment of money have been paid to Agent in same day funds and all Obligations that are at the time in question contingent (including all LC Outstandings that exist by virtue of an outstanding Letter of Credit) have been fully cash collateralized (in an amount of 105% of LC Outstandings) in favor and to the satisfaction of Agent or Agent has received as beneficiary a direct pay letter of credit in form and from an issuing bank acceptable to Agent and providing for direct payment to Agent of all such contingent Obligations at the time they become fixed (including reimbursement of all sums paid by Agent under any Credit Support). Notwithstanding the payment in full of the Obligations, Agent shall not be required to terminate its security interests in any of the Collateral unless, with respect to any loss or damage Agent may incur as a result of the dishonor or return of any Payment Items applied to the Obligations, Agent shall have received either (i) a written agreement, executed by Borrowers and any Person whose loans or other advances to Borrowers are used in whole or in part to satisfy the Obligations, indemnifying Agent and Lenders from any such loss or damage; or (ii) such monetary reserves or other security for such period of time as Agent, in its reasonable discretion, may deem necessary to protect Agent from any such loss or damage. The provisions of **Sections 2.4, 2.7, 2.8, 2.9, 4.5, 4.9** and this **Section 5.2.4** and all obligations of Borrowers to indemnify Agent or any Lender pursuant to this Agreement or any of the other Loan Documents shall in all events survive any termination of the Commitments.

SECTION 6. COLLATERAL SECURITY

6.1. Grant of Security Interest. To secure the prompt payment and performance of all of the Obligations, each Credit Party hereby grants to Agent, for the benefit of itself as Agent and for the Pro Rata benefit of Lenders, a continuing security interest in and Lien upon all of the following Property and interests in Property of such Credit Party (except to the extent such Property constitutes Excluded Collateral), whether now owned or existing or hereafter created, acquired or arising and wheresoever located:

- (i) All Accounts;

- (ii) All Inventory;
- (iii) All Equipment;
- (iv) All Instruments;
- (v) All Chattel Paper;
- (vi) All Documents;
- (vii) All General Intangibles;
- (viii) All Deposit Accounts;
- (ix) All Investment Property (but excluding any portion thereof that constitutes Margin Stock unless otherwise expressly provided in any Loan Documents);
- (x) All monies now or at any time or times hereafter in the possession or under the control of Agent or a Lender or a bailee or Affiliate of Agent or a Lender, including any Cash Collateral in the Cash Collateral Account;
- (xi) All proceeds of claims of the Credit Parties for recovery or avoidance, as the case may be, of obligations, transfers of Property, or interests in Property, offsets, lawful currency or its equivalents, and other types or kinds of Property (or the value thereof) recoverable or avoidable under Chapter 5 of the Bankruptcy Code in the Bankruptcy Case or under other Applicable Law;
- (xii) All accessions to, substitutions for and all replacements, products and cash and non-cash proceeds of (i) through (xi) above, including proceeds of and unearned premiums with respect to insurance policies insuring any of the Collateral and claims against any Person for loss of, damage to or destruction of any of the Collateral; and
- (xiii) All books and records (including customer lists, files, correspondence, tapes, computer programs, print-outs, and other computer materials and records) of such Credit Party pertaining to any of (i) through (xii) above.

6.2. Lien on Deposit Accounts. As additional security for the payment and performance of the Obligations, each Credit Party hereby grants to Agent, for the benefit of itself as Agent and for the Pro Rata benefit of Lenders, a continuing security interest in and Lien upon, and hereby collaterally assigns to Agent, all of such Credit Party's right, title and interest in and to each Deposit Account of such Credit Party (other than Excluded Cash Accounts) and in and to any deposits or other sums at any time credited to each such Deposit Account, including any sums in any blocked account or any special lockbox account and in the accounts in which sums are deposited. In connection with the foregoing, each Credit Party hereby authorizes and directs each such bank or other depository to pay or deliver to Agent upon its written demand therefor made at any time upon the occurrence and during the continuation of an Event of Default and without further notice to such Credit Party (such notice being hereby expressly waived), all balances in each Deposit Account maintained by Credit Party with such depository for application to the Obligations then outstanding, and the rights given Agent in this **Section 6.4** shall be cumulative with and in addition to Agent's other rights and remedies in regard to the foregoing Property as proceeds of Collateral. Each Credit Party hereby irrevocably appoints Agent as such Credit Party's attorney-in-fact to, following the occurrence and during the continuance of an Event of Default, collect any and all such

balances to the extent any such payment is not made to Agent by such bank or other depository after demand thereon is made by Agent pursuant hereto.

6.3. Lien on Real Estate. The due and punctual payment and performance of the Obligations shall also be secured by the Lien created by the Mortgage upon all Real Estate of the relevant Borrower described therein.

6.4. Other Collateral. In addition to the items of Property referred to in **Section 6.1** above, the Obligations shall also be secured by the Cash Collateral to the extent provided herein and all of the other items of Property from time to time described in any of the Loan Documents as security for any of the Obligations.

6.5. Lien Perfection; Further Assurances. Promptly after Agent's request therefor, Credit Parties shall execute or cause to be executed and deliver to Agent such instruments, assignments, title certificates or other documents as are necessary under the UCC or other Applicable Law (including any motor vehicle certificates of title act) to perfect (or continue the perfection of) Agent's Lien upon the Collateral, and shall take such other action as may be requested by Agent to give effect to or carry out the intent and purposes of this Agreement. Unless prohibited by Applicable Law, each Credit Party hereby authorizes Agent to execute and file any such financing statement on such Credit Party's behalf. The parties agree that a carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in any appropriate office in lieu thereof.

SECTION 7. COLLATERAL ADMINISTRATION

7.1. General Provisions.

7.1.1. **Location of Collateral.** All tangible items of Collateral, other than Inventory in transit and motor vehicles, shall at all times be kept by Credit Parties at one or more of the business locations of Credit Parties set forth in **Schedule 7.1.1** hereto and shall not be moved therefrom, without the prior written approval of Agent, except that in the absence of an Event of Default and acceleration of the maturity of the Obligations in consequence thereof, Credit Parties may (i) make sales or other dispositions of any Collateral to the extent authorized by **Section 9.2.10** hereof, (ii) move Inventory or Equipment or any record relating to any Collateral to a location in the United States other than those shown on **Schedule 7.1.1** hereto so long as Credit Parties have given Agent at least 30 calendar days (or such lesser period of time as shall be acceptable in any specific instance to Agent) prior written notice of such new location and prior to moving any Inventory or Equipment to such location there have been filed any UCC-1 financing statements and any other appropriate documentation necessary to perfect or continue the perfection of Agent's first priority Liens with respect to such Inventory or Equipment and (iii) move Inventory and Equipment which is not included in the Borrowing Base, having an aggregate value of less than \$40,000,000, to a location in the United States other than those shown on **Schedule 7.1.1** hereto, and without notifying Agent ("Permitted Offsite Collateral"). Notwithstanding anything to the contrary contained in this Agreement, Credit Parties shall not be permitted to keep, store or otherwise maintain any Collateral at any location (including any location described in **Section 7.1.1**), unless (i) a Credit Party is the owner of such location, (ii) a Credit Party leases such location and the landlord has executed in favor of Agent a Landlord Waiver, (iii) the Collateral consists of Inventory placed with a warehouseman, bailee or processor, Agent has received from such warehouseman, bailee or processor an acceptable Lien waiver agreement and an appropriate UCC-1 financing statement has been filed with the appropriate Governmental Authority in the jurisdiction where such warehouseman, bailee or processor is located in order to perfect, or to maintain the uninterrupted perfection of, Agent's security interest in such Inventory, or (iv) such constitutes Permitted Offsite Collateral.

7.1.2. Insurance of Collateral; Condemnation Proceeds.

(i) Each Credit Party shall maintain and pay for insurance upon all Collateral, wherever located, covering casualty, hazard, public liability, theft, malicious mischief, and such other risks in such amounts and with such insurance companies as are reasonably satisfactory to Agent. **Schedule 7.1.2** describes all insurance of Credit Parties in effect on the date hereof. Unless otherwise agreed by Agent, all proceeds payable under each such policy shall be payable to Agent for application to the Obligations. Each Credit Party shall deliver the originals or certified copies of such policies to Agent with satisfactory lender's loss payable endorsements reasonably satisfactory to Agent, naming Agent as sole loss payee, assignee or additional insured, as appropriate. Each policy of insurance for which Agent is an additional insured or loss payee shall contain a clause requiring the insurer to give not less than 30 days prior written notice to Agent in the event of cancellation of the policy for any reason whatsoever and a clause specifying that the interest of Agent shall not be impaired or invalidated by any act or neglect of any Credit Party or the owner of the Property or by the occupation of the premises for purposes more hazardous than are permitted by said policy. If any Credit Party fails to provide and pay for such insurance, Agent may, at its option, but shall not be required to, procure the same and charge Borrowers therefor. Each Credit Party agrees to deliver to Agent, promptly as rendered, true copies of all reports made in any reporting forms to insurance companies. For so long as no Event of Default exists, each Credit Party shall have the right to settle, adjust and compromise any claim with respect to any insurance maintained by each Credit Party provided that all proceeds thereof are applied in the manner specified in this Agreement, and Agent agrees promptly to provide any necessary endorsement to any checks or drafts issued in payment of any such claim. At any time that an Event of Default exists, only Agent shall be authorized to settle, adjust and compromise such claims, Agent shall have all rights and remedies with respect to such policies of insurance as are provided for in this Agreement and the other Loan Documents.

(ii) Any proceeds of insurance referred to in this **Section 7.1.2** and any condemnation awards that are paid to Agent in connection with a condemnation of any of the Collateral shall be paid to Agent and applied to the Obligations in the manner determined by Agent.

7.1.3. Protection of Collateral. All expenses of protecting, storing, warehousing, insuring, handling, maintaining and shipping any Collateral, all Taxes imposed under any Applicable Law on any of the Collateral or in respect of the sale thereof, and all other payments required to be made by Agent to any Person to realize upon any Collateral shall be borne and paid by Credit Parties. Agent shall not be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto (except for reasonable care in the custody thereof while any Collateral is in Agent's actual possession) or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency, or other Person whomsoever, but the same shall be at Credit Parties' sole risk.

7.1.4. Defense of Title to Collateral. Each Credit Party shall at all times defend its title to the Collateral and Agent's Liens therein against all Persons and all claims and demands whatsoever other than Permitted Liens.

7.2. Administration of Accounts.

7.2.1. Records and Schedules of Accounts. Each Borrower shall keep accurate and complete records of its Accounts and all payments and collections thereon and shall submit to Agent on such periodic basis as Agent shall request a sales and collections report for the preceding period, in form satisfactory to Agent. Borrowers shall also provide to Agent on or before the 20th day of each month (i) a

list and other detailed information, in form satisfactory to Agent, of all Bonded Contracts and Bonded Accounts which shall specify the issuer of the Surety Bond issued in connection therewith, (ii) a "WIP Report" substantially in the form of Schedule 7.2.1 attached hereto, and (iii) upon Agent's request, a detailed aged trial balance of all Accounts existing as of the last day of the preceding month, specifying the names, addresses, face value, dates of invoices and due dates for each Account Debtor obligated on an Account so listed ("Schedule of Accounts") (provided, however, that at Agent's discretion, Agent may require that Borrowers report this information on a twice monthly basis), and, upon Agent's request therefor, copies of proof of delivery and a copy of all documents, including repayment histories and present status reports relating to the Accounts so scheduled and such other matters and information relating to the status of then existing Accounts as Agent shall reasonably request. In addition, if Accounts in an aggregate face amount in excess of \$1,000,000 cease to be Eligible Accounts (other than by virtue of aging) in whole or in part, Borrowers shall notify Agent of such occurrence promptly (and in any event within 2 Business Days) after any Borrower's having obtained knowledge of such occurrence and the Borrowing Base shall thereupon be adjusted to reflect such occurrence. Upon Agent's request, each Borrower shall deliver to Agent copies of invoices or invoice registers related to all of its Accounts.

7.2.2. Discounts, Disputes and Returns. If any Borrower grants any discounts, allowances or credits that are not shown on the face of the invoice for the Account involved, Borrowers shall report such discounts, allowances or credits, as the case may be, to Agent as part of the next required Schedule of Accounts. If any amounts due and owing on Eligible Accounts in excess of \$1,000,000 are in dispute between any Borrower and any Account Debtor, or if any returns are made in excess of \$500,000 with respect to any Eligible Accounts owing from an Account Debtor, Borrowers shall provide Agent with written notice thereof at the time of submission of the next Schedule of Accounts, and upon Agent's request, explaining in reasonable detail the reason for the dispute or return, all claims related thereto and the amount in controversy. Upon and after the occurrence of an Event of Default, Agent shall have the right to settle or adjust all disputes and claims directly with the Account Debtor and to compromise the amount or extend the time for payment of any Accounts comprising a part of the Collateral upon such terms and conditions as Agent may deem advisable, and to charge the deficiencies, costs and expenses thereof, including attorneys' fees, to Borrowers.

7.2.3. Taxes. If an Account of any Borrower includes a charge for any Taxes payable to any governmental taxing authority, Agent is authorized, in its sole discretion, to pay the amount thereof to the proper taxing authority for the account of such Borrower and to charge Borrowers therefor; provided, however, that neither Agent nor Lenders shall be liable for any Taxes that may be due by any or all Borrowers.

7.2.4. Account Verification. Whether or not a Default or an Event of Default exists, Agent shall have the right at any time, in the name of Agent, any designee of Agent or any Credit Party to verify the validity, amount or any other matter relating to any Accounts of any Credit Party by mail, telephone, telegraph or otherwise. Credit Parties shall cooperate fully with Agent in an effort to facilitate and promptly conclude any such verification process.

7.2.5. Maintenance of Dominion Account. Consistent with the cash management arrangement Borrowers have in place with Bank on the Closing Date, Borrowers shall maintain a Dominion Account pursuant to a blocked account or other arrangement acceptable to Agent and, in the case of such Dominion Account and blocked account arrangement, with such bank as may be selected by Borrowers and be acceptable to Agent. Borrowers shall issue to each such depository bank an irrevocable letter of instruction directing such bank to deposit all payments or other remittances received in the blocked account to the Dominion Account. Borrowers shall enter into agreements, in form satisfactory to Agent, with each bank at which a Dominion Account is maintained by which such bank shall immediately transfer to the Payment Account all monies deposited to the Dominion Account. All funds deposited in

each Dominion Account shall be subject to Agent's Lien. Borrowers shall obtain the agreement (in favor of and in form and content satisfactory to Agent) by each bank at which a Dominion Account is maintained to waive any offset rights against the funds deposited to such Dominion Account, except offset rights in respect of charges incurred in the administration of such Dominion Account. Neither Agent nor Lenders assume any responsibility to any or all Borrowers for such blocked account arrangement or Dominion Account, including any claim of accord and satisfaction or release with respect to deposits accepted by any bank thereunder.

7.2.6. **Collection of Accounts and Proceeds of Collateral.** To expedite collection, Borrowers shall endeavor in the first instance to make collection of Borrowers' Accounts for Agent and Lenders. All Payment Items received by any Borrower in respect of its Accounts, together with the proceeds of any other Collateral, shall be held by such Borrower as trustee of an express trust for Agent's benefit and shall immediately deposit same in kind in the Dominion Account. Agent retains the right at all times after the occurrence of an Event of Default to notify Account Debtors of each Borrower that Accounts have been assigned to Agent and to collect Accounts directly in its own name and to charge to Borrowers the collection costs and expenses, incurred by Agent or Lenders, including reasonable attorneys' fees.

7.3. **Administration of Inventory.**

7.3.1. **Records and Reports of Inventory.** Each Borrower shall keep accurate and complete records of its Inventory and shall furnish Agent and Lenders inventory reports respecting such Inventory in form and detail satisfactory to Agent and Lenders at such times as Agent and Lenders may request, provided that until notified differently by Agent, such reports shall be due monthly by the 23rd day of each month. Each Borrower shall, at Borrowers' expense, conduct a physical inventory no less frequently than annually and periodic cycle counts consistent with such Borrower's historical practices and shall provide to Agent and Lenders a report based on each such physical inventory and cycle count promptly thereafter, together with such supporting information as Agent shall request. Agent may participate in and observe each physical count or inventory. Agent may at any time in its sole discretion require an appraisal of the Inventory of Borrowers, each such appraisal to be performed at Borrowers' expense and by an appraiser satisfactory to Agents; provided, however, as long as no Default or Event of Default exists, Borrower shall not be required to pay for such appraisal more frequently than once every twelve calendar months.

7.3.2. **Returns of Inventory.** No Borrower shall return any of its Inventory to a supplier or vendor thereof, or any other Person, whether for cash, credit against future purchases or then existing payables, or otherwise, unless (i) such return is in the Ordinary Course of Business of such Borrower and such Person; (ii) no Default or Event of Default exists or would result therefrom; (iii) the return of such Inventory will not result in an Out-of-Formula Condition; (iv) such Borrower promptly notifies Agent thereof if the aggregate Value of all Eligible Inventory returned in any month exceeds \$50,000; and (v) any payments received by any Borrower in connection with any such return are promptly turned over to Agent for application to the Obligations.

7.4. **Administration of Equipment.**

7.4.1. **Records and Schedules of Equipment.** Each Borrower shall keep accurate records itemizing and describing the kind, type, quality, quantity and cost of its Equipment and all dispositions made in accordance with **Section 7.4.2** hereof, and shall furnish Agent and Lenders with a current schedule containing the foregoing information at such times as Agent may request. Promptly after request therefor by Agent, Borrowers shall deliver to Agent and Lenders any and all evidence of ownership, if any, of any of the Equipment.

7.4.2. **Dispositions of Equipment.** No Borrower will sell, lease or otherwise dispose of or transfer any of the Equipment or any part thereof without the prior written consent of Agent; provided, however, that the foregoing restriction shall not apply, for so long as no Default or Event of Default exists, to (i) dispositions of Equipment after the Closing Date which, in the aggregate during any consecutive 12-month period, has a fair market value or book value, whichever is more, of \$1,500,000 or less, provided that all Net Proceeds thereof are remitted to Agent for application to the Obligations, or (ii) replacements of Equipment that is substantially worn, damaged or obsolete with Equipment of like kind, function and value, provided that the replacement Equipment shall be acquired prior to or within 60 days after any disposition of the Equipment that is to be replaced, the replacement Equipment shall be free and clear of Liens other than Permitted Liens that are not Purchase Money Liens.

7.4.3. **Condition of Equipment.** The Equipment is, in all material respects, in good operating condition and repair, and all necessary replacements of and repairs thereto shall be made so that the value and operating efficiency of the Equipment shall be maintained and preserved, reasonable wear and tear excepted. No Borrower will permit material portion any of the Equipment to become affixed to any real Property leased to such Borrower so that an interest arises therein under the real estate laws of the applicable jurisdiction unless the landlord of such real Property has executed a landlord waiver or leasehold mortgage in favor of and in form acceptable to Agent, and no Borrower will permit any material portion of the Equipment to become an accession to any personal Property that is subject to a Lien unless the Lien is a Permitted Lien.

7.4.4. **Appraisals.** Agent may in its sole discretion at any time require an appraisal of the Equipment of the Borrowers, each such appraisal to be performed at Borrowers' expense and by an appraiser satisfactory to Agent; provided, however, as long as no Default or Event of Default exists, Borrower shall not be required to pay for such appraisal more frequently than once every twelve calendar months.

7.5. **Borrowing Base Certificates.** On the Closing Date, Borrowers shall deliver to Agent a Borrowing Base Certificate prepared as of the close of business on March 31, 2006 and thereafter Borrowers shall deliver to Agent on or before the 23rd day of each month a Borrowing Base Certificate prepared as of the close of business of the previous month, and Borrowers shall deliver a Borrowing Base Certificate at such other times as Agent may request. All calculations of Availability in connection with any Borrowing Base Certificate shall originally be made by Borrowers and certified by a Senior Officer of Parent to Agent, provided that Agent shall have the right to review and adjust, in the exercise of its reasonable credit judgment, any such calculation (i) to reflect its reasonable estimate of declines in value of any of the Collateral described therein and (ii) to the extent that such calculation is not in accordance with this Agreement or does not accurately reflect the amount of the Availability Reserve.

SECTION 8. REPRESENTATIONS AND WARRANTIES

8.1. **General Representations and Warranties.** To induce Agent and Lenders to enter into this Agreement and to make available the Commitments, each Credit Party warrants and represents to Agent and Lenders that:

8.1.1. **Organization and Qualification.** Each Credit Party and each of its Subsidiaries is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Each Credit Party and each of its Subsidiaries is duly qualified and is authorized to do business and is in good standing as a foreign corporation in each state or jurisdiction listed on **Schedule 8.1.1** hereto and in all other states and jurisdictions in which the failure of any such Credit Party or any of such Subsidiaries to be so qualified would have a Material Adverse Effect.

8.1.2. **Power and Authority.** Each Credit Party and each of its Subsidiaries is duly authorized and empowered to enter into, execute, deliver and perform this Agreement and each of the other Loan Documents to which it is a party. The execution, delivery and performance of this Agreement and each of the other Loan Documents have been duly authorized by all necessary corporate, limited liability company or partnership action and do not and will not (i) require any consent or approval of any of the holders of the Equity Interests of any Credit Party or any of its Subsidiaries; (ii) contravene the Organization Documents of any Credit Party or any of its Subsidiaries; (iii) violate, or cause any Credit Party or any of its Subsidiaries to be in default under, any provision of any Applicable Law, order, writ, judgment, injunction, decree, determination or award in effect having applicability to such Credit Party or any such Subsidiary, including without limitation any order of the Bankruptcy Court; (iv) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other material agreement, lease or instrument to which any Credit Party or any of its Subsidiaries is a party or by which it or its Properties may be bound or affected; or (v) result in, or require, the creation or imposition of any Lien (other than Permitted Liens) upon or with respect to any of the Properties now owned or hereafter acquired by any Credit Party or any of its Subsidiaries.

8.1.3. **Legally Enforceable Agreement.** This Agreement is, and each of the other Loan Documents when delivered under this Agreement will be, a legal, valid and binding obligation of each Credit Party and each of its Subsidiaries signatories thereto enforceable against them in accordance with the respective terms of such Loan Documents, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights.

8.1.4. **Capital Structure.** As of the date hereof, **Schedule 8.1.4** hereto states (i) the correct name of each Subsidiary, its jurisdiction of incorporation or organization and the percentage of its Equity Interests having voting powers owned by each Person, (ii) the name of each corporate Affiliate of each Credit Party and the nature of the affiliation and (iii) the number of authorized and issued Equity Interests (and treasury shares) of each Credit Party and each of its Subsidiaries (other than Parent). Each Credit Party has good title to all of the shares it purports to own of the Equity Interests of each of its Subsidiaries, free and clear in each case of any Lien other than Permitted Liens. All such Equity Interests have been duly issued and are fully paid and non-assessable. Since the date of the financial statements of Parent and its Subsidiaries referred to in **Section 8.1.9** hereof, no Credit Party has made, or obligated itself to make, any Distribution. There are no outstanding options to purchase, or any rights or warrants to subscribe for, or any commitments or agreements to issue or sell, or any Equity Interests or obligations convertible into, or any powers of attorney relating to, shares of the capital stock of any Credit Party (other than Parent) or any Subsidiary. Except as set forth on **Schedule 8.1.4** hereto, there are no outstanding agreements or instruments binding upon the holders of any Credit Party's Equity Interests relating to the ownership of its Equity Interests.

8.1.5. **Organizational Names.** During the 5-year period preceding the date of this Agreement, no Credit Party nor any of its Subsidiaries has been known as or used any corporate, organizational, fictitious or trade names except those listed on **Schedule 8.1.5** hereto. Except as set forth on **Schedule 8.1.5**, no Credit Party nor any of its Subsidiaries has been the surviving corporation or other entity of a merger or consolidation or acquired all or substantially all of the assets of any Person.

8.1.6. **Business Locations; Agent for Process.** As of the date hereof, the chief executive office and other places of business of each Credit Party and each of its Subsidiaries are as listed on **Schedule 7.1.1** hereto. During the 5-year period preceding the date of this Agreement, no Credit Party nor any of its Subsidiaries has had an office, place of business or agent for service of process other than as listed on **Schedule 7.1.1**. Except as shown on **Schedule 7.1.1** on the date hereof, no Inventory of any

Credit Party or any Subsidiary is stored with a bailee, warehouseman or similar Person, nor is any Inventory consigned to any Person.

8.1.7. **Title to Properties; Priority of Liens.** Each Credit Party and each of its Subsidiaries has good and indefeasible title to and fee simple ownership of, or valid and subsisting leasehold interests in, all of its real Property, and good title to all of its personal Property, including all Property reflected in the financial statements referred to in **Section 8.1.9** or delivered pursuant to **Section 9.1.3**, in each case free and clear of all Liens except Permitted Liens. Each Credit Party has paid or discharged, and has caused each of its Subsidiaries to pay and discharge, all lawful claims (in excess of \$50,000 in the aggregate for each Credit Party) which, if unpaid, might become a Lien against any Properties of such Credit Party or such Subsidiary that is not a Permitted Lien. The Liens granted to Agent pursuant to this Agreement and the other Loan Documents are first priority Liens, subject only to those Permitted Liens which are expressly permitted by the terms of this Agreement to have priority over the Liens of Agent.

8.1.8. **Accounts.** Agent may rely, in determining which Accounts are Eligible Accounts, on all statements and representations made by a Borrower with respect to any Account. Unless otherwise indicated in writing to Agent, with respect to each Account, Borrowers warrant that:

- (i) It is genuine and in all respects what it purports to be, and it is not evidenced by a judgment;
- (ii) It arises out of a completed, bona fide sale and delivery of goods or rendition of services by a Borrower in the Ordinary Course of its Business and substantially in accordance with the terms and conditions of all purchase orders, contracts or other documents relating thereto and forming a part of the contract between a Borrower and the Account Debtor;
- (iii) It is for a sum certain maturing as stated in the duplicate invoice covering such sale or rendition of services, a copy of which has been furnished or is available to Agent on request;
- (iv) Such Account, and Agent's security interest therein, is not, and will not (by voluntary act or omission of a Borrower) be in the future, subject to any offset, Lien, deduction, defense, dispute, counterclaim or any other adverse condition except for disputes resulting in returned goods where the amount in controversy is deemed by Agent to be immaterial, and each such Account is absolutely owing to a Borrower and is not contingent in any respect or for any reason;
- (v) The contract under which such Account arose does not condition or restrict a Borrower's right to assign to Agent the right to payment thereunder unless (i) such Borrower has obtained the Account Debtor's consent to such collateral assignment or complied with any conditions to such assignment or (ii) under the UCC or other Applicable Law any such restrictions are ineffective to prevent the grant of a Lien upon such Account in favor of Agent;
- (vi) Such Borrower has not made any agreement with any Account Debtor thereunder for any extension, compromise, settlement or modification of any such Account or any deduction therefrom, except discounts or allowances which are granted by a Borrower in the ordinary course of its business for prompt payment and which are reflected in the calculation of the net amount of each respective invoice related thereto and are reflected in the Schedules of Accounts submitted to Agent pursuant to **Section 7.2.1** hereof;

(vii) To the best of such Borrower's knowledge, there are no facts, events or occurrences which are reasonably likely to impair in any material respect the validity or enforceability of any of its Accounts or reduce the amount payable thereunder from the face amount of the invoice and statements delivered to Agent with respect thereto;

(viii) To the best of such Borrower's knowledge, (1) the Account Debtor thereunder had the capacity to contract at the time any contract or other document giving rise to the Account was executed and (2) such Account Debtor is Solvent; and

(ix) To the best of such Borrower's knowledge, there are no proceedings or actions which are pending against any Account Debtor thereunder and which are reasonably likely to result in any material adverse change in such Account Debtor's financial condition or the collectibility of such Account.

8.1.9. Financial Statements. The Consolidated and consolidating balance sheets of Parent and such other Persons described therein (including the accounts of all Subsidiaries of Parent for the respective periods during which a Subsidiary relationship existed) as of March 31, 2006, and the related statements of operations, stockholders' equity, and cash flows for the period ended on such date, have been prepared in accordance with GAAP, and present fairly the financial positions of Borrowers and such Persons at such date and the results of Borrowers' operations for such period; provided that the statements of stockholders' equity and cash flows are not prepared on a consolidating basis. Since March 31, 2006, and except for the filing and prosecution of the Bankruptcy Case, there has been no material change in the condition, financial or otherwise, of the Credit Parties, taken as a whole, as shown on the Consolidated balance sheet as of such date and no material change in the aggregate value of Equipment and real Property owned by any Borrower or such other Persons.

8.1.10. Full Disclosure. The financial statements referred to in **Section 8.1.9** hereof do not contain any untrue statement of a material fact and neither this Agreement nor any other written statement contains or omits any material fact necessary to make the statements contained herein or therein not materially misleading. There is no fact or circumstances in existence on the date hereof which any Credit Party has failed to disclose to Agent in writing that may reasonably be expected to have a Material Adverse Effect.

8.1.11. Solvent Financial Condition. Each Credit Party (other than the Shutdown Subsidiaries and the Restricted Subsidiaries) is now Solvent and, after giving effect to the Loans to be made hereunder, the Letters of Credit to be issued in connection herewith and the consummation of the other transactions described in the Loan Documents, will be Solvent.

8.1.12. Surety Obligations. Except as set forth on **Schedule 8.1.12** hereto on the date hereof, no Credit Party nor any of its Subsidiaries is obligated as surety or indemnitor under any surety or similar bond or other contract issued or has entered into any agreement to assure payment, performance or completion of performance of any undertaking or obligation of any Person.

8.1.13. Taxes. The FEIN of each Credit Party and each of its Subsidiaries is as shown on **Schedule 8.1.13** hereto. Each Credit Party and each of its Subsidiaries has filed all federal, state and local tax returns and other reports it is required by law to file and has paid, or made provision for the payment of, all Taxes upon it, its income and Properties as and when such Taxes are due and payable, except to the extent being Properly Contested, or which in the aggregate do not exceed \$100,000 for all Credit Parties. The provision for Taxes on the books of each Credit Party and each of its Subsidiaries are adequate for all years not closed by applicable statutes, and for its current Fiscal Year.

8.1.14. Brokers. There are no claims against any Credit Party for brokerage commissions, finder's fees or investment banking fees in connection with the transactions contemplated by this Agreement or any of the other Loan Documents.

8.1.15. Intellectual Property. Except as would not reasonably be expected to result in a Material Adverse Effect, each Credit Party and each of its Subsidiaries each owns or has the lawful right to use all Intellectual Property necessary for the present and planned future conduct of its business without any conflict with the rights of others; there is no objection to, or pending (or, to any Credit Party's knowledge, threatened) Intellectual Property Claim with respect to any Credit Party's or any Subsidiary's right to use any such Intellectual Property and no Credit Party is aware of any grounds for challenge or objection thereto; and, except as may be disclosed on Schedule 8.1.15, neither any Credit Party nor any Subsidiary pays any royalty or other compensation to any Person for the right to use any Intellectual Property other than shrink-wrapped software applications. All such patents, trademarks, service marks, trade names, copyrights, licenses and other similar rights are listed on Schedule 8.1.15 hereto, to the extent they are registered under any Applicable Law or are otherwise material to any Credit Party's or any Subsidiary's business.

8.1.16. Governmental Approvals. Each Credit Party and each of its Subsidiaries has, and is in good standing with respect to, all material Governmental Approvals necessary to continue to conduct its business as heretofore or proposed to be conducted by it and to own or lease and operate its Properties as now owned or leased by it.

8.1.17. Compliance with Laws. Each Credit Party and each of its Subsidiaries has duly complied with, and its Properties, business operations and leaseholds are in compliance in all material respects with, the provisions of all Applicable Law (except to the extent that any such noncompliance with Applicable Law could not reasonably be expected to have a Material Adverse Effect) and there have been no citations, notices or orders of noncompliance issued to any Credit Party or any of the Subsidiaries under any such law, rule or regulation except to the extent not reasonably expected to have a Material Adverse Effect. No Inventory has been produced in violation of the FLSA.

8.1.18. Burdensome Contracts. No Credit Party nor any of the Subsidiaries is a party or subject to any contract, agreement, or charter or other corporate restriction, which has or could be reasonably expected to have a Material Adverse Effect. No Credit Party nor any of the Subsidiaries is a party or subject to any Restrictive Agreement, except as set forth on Schedule 8.1.18 hereto, none of which prohibit the execution or delivery of any of the Loan Documents by any Obligor or the performance by any Obligor of its obligations under any of the Loan Documents to which is a party, in accordance with the terms of such Loan Documents.

8.1.19. Litigation. Except as set forth on Schedule 8.1.19 hereto and any litigation described in the Disclosure Statement, there are no actions, suits, proceedings or investigations pending or, to the knowledge of any Credit Party, threatened on the date hereof, against or affecting any Credit Party or any of the Subsidiaries, or the business, operations, Properties, prospects, profits or condition of any Credit Party or any of the Subsidiaries, (i) which relates to any of the Loan Documents or any of the transactions contemplated thereby or (ii) which, if determined adversely to any Credit Party or any of the Subsidiaries, could reasonably be expected to have a Material Adverse Effect. To the knowledge of any Credit Party, no Credit Party nor any of the Subsidiaries is in default on the date hereof with respect to any order, writ, injunction, judgment, decree or rule of any court, Governmental Authority or arbitration board or tribunal.

8.1.20. No Defaults. No event has occurred and no condition exists which would reasonably be expected to, upon or after the execution and delivery of this Agreement or any Credit

Party's performance hereunder, constitute a Default or an Event of Default. No Credit Party nor any of its Subsidiaries is in default, and no event has occurred and no condition exists which constitutes or which with the passage of time or the giving of notice or both would constitute a default, under any Material Contract or in the payment of any Debt of any Credit Party or a Subsidiary to any Person for Money Borrowed.

8.1.21. Leases. **Schedule 8.1.21** hereto is a complete listing of each capitalized and operating lease of each Credit Party and each of its Subsidiaries on the date hereof that constitutes a Material Contract. Except to the extent not reasonably expected to have a Material Adverse Effect, each Credit Party and each of its Subsidiaries is in substantial compliance with all of the terms of each of its respective capitalized and operating leases and there is no basis upon which the lessors under any such leases could terminate same or declare such Credit Party or any of its Subsidiaries in default thereunder.

8.1.22. Pension Plans. Except as disclosed on **Schedule 8.1.22** hereto, no Credit Party nor any of its Subsidiaries has any Plan on the date hereof. Each Credit Party and each of its Subsidiaries is in full compliance in all material respects with the requirements of ERISA and the regulations promulgated thereunder with respect to each Plan. No fact or situation that is reasonably likely to result in a material adverse change in the financial condition of any Credit Party or any of its Subsidiaries exists in connection with any Plan. No Credit Party nor any of its Subsidiaries has any withdrawal liability in connection with a Multi-employer Plan.

8.1.23. Trade Relations. There exists no actual or threatened termination, cancellation or limitation of, or any materially adverse modification or change in, the business relationship between any Credit Party and any customer or any group of customers whose purchases individually or in the aggregate are material to the business of such Credit Party, or with any material supplier or group of suppliers, and there exists no condition or state of facts or circumstances which is reasonably likely to have a Material Adverse Effect or prevent any Credit Party from conducting such business after the consummation of the transactions contemplated by this Agreement in substantially the same manner in which it has heretofore been conducted.

8.1.24. Labor Relations. Except as described on **Schedule 8.1.24** hereto, no Credit Party nor any of the Subsidiaries is a party to any collective bargaining agreement on the date hereof. Except as described on **Schedule 8.1.24** hereto, on the date hereof, there are no material grievances, disputes or controversies with any union or any other organization of any Credit Party's or any Subsidiary's employees, or, to any Credit Party's knowledge, any threats of strikes, work stoppages or any asserted pending demands for collective bargaining by any union or organization.

8.1.25. Not a Regulated Entity. No Credit Party is (i) an "investment company" or a "person directly or indirectly controlled by or acting on behalf of an investment company" within the meaning of the Investment Company Act of 1940; (ii) a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935; or (iii) subject to regulation under the Federal Power Act, the Interstate Commerce Act, any public utilities code or any other Applicable Law regarding its authority to incur Debt.

8.1.26. Margin Stock. No Credit Party nor any of its Subsidiaries is engaged, principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock.

8.1.27. Bonded Contracts. No Credit Party nor any of its Subsidiaries has any agreement (including any intercreditor agreements) with any issuer of a Surety Bond (including but not limited to Chubb) except as disclosed on Schedule 8.1.27.

8.1.28. Surety Bonds Cash and LCs. No Credit Party nor any of its Subsidiaries has provided any cash collateral or letters of credit to issuers of Surety Bonds except as disclosed on Schedule 8.1.28.

8.1.29. Restricted Subsidiaries. No Restricted Subsidiary has any operations or owns any material assets.

8.1.30. Confirmation of Plan. The Bankruptcy Court has entered a Final Order confirming the Reorganization Plan.

8.2. Reaffirmation of Representations and Warranties. Each representation and warranty contained in this Agreement and the other Loan Documents shall be deemed to be reaffirmed by each Credit Party on each day that any Credit Parties request or are deemed to have requested an extension of credit or Letter of Credit hereunder, except for changes in the nature of a Credit Party's or, if applicable, any of its Subsidiaries' business or operations that may occur after the date hereof in the Ordinary Course of Business so long as Agent has consented to such changes or such changes are not violative of any provision of this Agreement. Notwithstanding the foregoing, representations and warranties which by their terms are applicable only to a specific date shall be deemed made only at and as of such date.

8.3. Survival of Representations and Warranties. All representations and warranties of Credit Parties contained in this Agreement or any of the other Loan Documents shall survive the execution, delivery and acceptance thereof by Agent, Lenders and the parties thereto and the closing of the transactions described therein or related thereto.

SECTION 9. COVENANTS AND CONTINUING AGREEMENTS

9.1. Affirmative Covenants. For so long as there are any Commitments outstanding and thereafter until payment in full of the Obligations, each Credit Party covenants that, unless the Required Lenders have otherwise consented in writing, it shall and shall cause each Subsidiary to:

9.1.1. Visits and Inspections. Permit representatives of Agent, from time to time, as often as may be reasonably requested, but only during normal business hours and (except when a Default or Event of Default exists) upon reasonable prior notice to a Credit Party, to visit and inspect the Properties of such Credit Party and each of its Subsidiaries, inspect, audit and make extracts from each Credit Party's and each Subsidiary's books and records, and discuss with its officers, its employees and its independent accountants, such Credit Party's and each Subsidiary's business, financial condition, business prospects and results of operations. Representatives of each Lender shall be authorized to accompany Agent on each such visit and inspection and to participate with Agent therein, but at their own expense, unless a Default or Event of Default exists. Neither Agent nor any Lender shall have any duty to make any such inspection and shall not incur any liability by reason of its failure to conduct or delay in conducting any such inspection.

9.1.2. Notices. Notify Agent and Lenders in writing, promptly after such Credit Party's obtaining knowledge thereof, (i) of the commencement of any litigation affecting any Credit Party or any of its Properties, whether or not the claims asserted in such litigation are considered by Borrowers to be covered by insurance, and of the institution of any administrative proceeding, to the extent that such litigation or proceeding, if determined adversely to such Credit Party, would reasonably be expected to

have a Material Adverse Effect; (ii) of any material labor dispute to which any Credit Party may become a party, any strikes or walkouts relating to any of its plants or other facilities, and the expiration of any labor contract to which it is a party or by which it is bound; (iii) of any material default by any Credit Party under or termination of any Material Contract or any note, indenture, loan agreement, mortgage, lease, deed, guaranty or other similar agreement relating to any Debt of such Credit Party exceeding \$250,000; (iv) of the existence of any Default or Event of Default; (v) of any default by any Person under any note or other evidence of Debt payable to a Credit Party in an amount exceeding \$100,000; (vi) of any judgment against any Obligor in an amount exceeding \$250,000; (vii) of the assertion by any Person of any Intellectual Property Claim, the adverse resolution of which could reasonably be expected to have a Material Adverse Effect; (viii) of any violation or asserted violation by any Credit Party of any Applicable Law (including ERISA, OSHA, FLSA or any Environmental Laws), the adverse resolution of which could reasonably be expected to have a Material Adverse Effect; (ix) of any Environmental Release by an Credit Party or on any Property owned or occupied by a Credit Party that is required to be reported to any Governmental Authority; (x) of any claim made on Chubb related to a Bonded Contract; (xi) of any addition of a Bonded Contract after the Closing Date if an Account arising under such contract was previously reported on a Borrowing Base Certificate as unbonded and (xii) of the discharge of Parent's independent accountants or any withdrawal of resignation by such independent accountants from their acting in such capacity. In addition, Borrowers shall give Agent at least 30-calendar days (or such lesser period of time as shall be acceptable in any specific instance to Agent) prior written notice of any Credit Party's opening of any new office or place of business.

9.1.3. **Financial and Other Reporting.** Keep adequate records and books of account with respect to its business activities in which proper entries are made in accordance with GAAP reflecting all its financial transactions; and cause to be prepared and to be furnished to Agent and Lenders the following (all to be prepared in accordance with GAAP applied on a consistent basis, unless Parent's certified public accountants concur in any change therein, such change is disclosed to Agent and is consistent with GAAP and, if required by the Required Lenders, the financial covenants set forth in **Section 9.3** are amended in a manner requested by the Required Lenders to take into account the effects of such change):

(i) as soon as available, and in any event within 90 days after the close of each Fiscal Year, unqualified audited balance sheets of Parent and its Subsidiaries as of the end of such Fiscal Year and the related statements of operations, stockholders' equity and cash flow, on a Consolidated and consolidating basis (provided that statements of shareholders' equity and cash flows are not reported on a consolidating basis), certified without material qualification by a firm of independent certified public accountants of recognized national standing selected by Parent but reasonably acceptable to Agent (except for a qualification for a change in accounting principles with which the accountant concurs), and setting forth in each case in comparative form the corresponding Consolidated and consolidating figures for the preceding Fiscal Year;

(ii) as soon as available, and in any event within 30 days after the end of each month hereafter (but within 60 days after the last month in a Fiscal Year), including the last month of Parent's Fiscal Year, unaudited balance sheets of Parent and its Subsidiaries as of the end of such month and the related unaudited Consolidated Statements of income and cash flow for such month and for the portion of Parent's Fiscal Year then elapsed, on a Consolidated and consolidating basis (provided that statements of stockholders' equity and cash flow are not reported on a consolidating basis), setting forth in each case in comparative form, the corresponding figures for the preceding Fiscal Year and certified by the principal financial officer of Parent as prepared in accordance with GAAP and fairly presenting the Consolidated financial position and results of operations of Parent and its Subsidiaries for such month and period subject

only to changes from audit and year-end adjustments and except that such statements need not contain notes;

(iii) as soon as available, and in any event within 45 days after the end of each of the first three Fiscal Quarters of Parent hereafter unaudited balance sheets of Parent and its Subsidiaries as of the end of such Fiscal Quarter and the related unaudited Consolidated Statements of income and cash flows for such Fiscal Quarter and for the portion of Parent's Fiscal Year then elapsed, on a Consolidated and consolidating basis (provided that statements of stockholders' equity and cash flow are not reported on a consolidating basis), setting forth in each case in comparative form, the corresponding figures for the preceding Fiscal Year and certified by the principal financial officer of Parent as prepared in accordance with GAAP and fairly presenting the Consolidated financial position and results of operations of Parent and its Subsidiaries for such Fiscal Quarter and period subject only to changes from audit and year-end adjustments and except that such statements need not contain notes;

(iv) as requested by Agent, a listing of all of each Borrower's trade payables and any royalty payments due as of the last Business Day of such month, specifying the name of and balance due each trade creditor (or payee for royalty payments), and, at Agent's request, monthly detailed trade payable agings in form acceptable to Agent; and

(v) promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports which Parent has made generally available to its shareholders and copies of any regular, periodic and special reports or registration statements which Parent files with the SEC or any Governmental Authority which may be substituted therefor, or any national securities exchange;

(vi) promptly prior to the execution thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect to the Tranche B Agreement; and

(vii) at least five (5) days prior to any request by any Credit Party for the issuance of a Surety Bond from any Surety, notice of such Credit Party's intent to request the issuance of such Surety Bond from such Surety, which notice shall be in form and substance satisfactory to Agent, and in any event shall include, without limitation, (a) the name of the Credit Party requesting such Surety Bond, (b) the project related to such proposed Surety Bond, (c) the name and address of the obligee under such proposed Surety Bond, and (d) a certification by a Senior Officer of the Parent that (I) the information contained in such notice is true and correct and (II) no Account included in the Borrowing Base at the time of such notice would become a Bonded Account upon the issuance of such proposed Surety Bond; provided, however, if any Account included in the Borrowing Base at the time of such notice would become a Bonded Account upon the issuance of such proposed Surety Bond, then, in lieu of providing the certification described in clause (d)(II) above, such Senior Officer of the Parent may provide an updated Borrowing Base Certificate that reflects the exclusion of such Account from the Borrowing Base and certifies that the sum of all outstanding Revolver Loans and Pending Revolver Loans at the time of such notice does not exceed the Borrowing Base as calculated pursuant to such updated Borrowing Base Certificate.

Concurrently with the delivery of the financial statements described in clause (i) of this **Section 9.1.3**, Borrowers shall deliver to Agent and Lenders a copy of the accountants' letter to Parent's management that is prepared in connection with such financial statements and also shall cause to be prepared and shall deliver to Agent and Lenders a certificate of the aforesaid certified public

accountants stating to Agent and Lenders that, based upon such accountants' audit of the Consolidated financial statements of Parent and its Subsidiaries performed in connection with their examination of said financial statements, nothing came to their attention that caused them to believe that Borrowers were not in compliance with **Sections 9.2.2, 9.2.3, 9.2.5, 9.2.8, 9.2.9, 9.2.15, 9.2.16 or 9.3** hereof, or, if they are aware of such noncompliance, specifying the nature thereof, and acknowledging, in a manner satisfactory to Agent, that they are aware that Agent and Lenders are relying on such financial statements in making their decisions with respect to the Loans. Concurrently with the delivery of the financial statements described in clauses (i) and (ii) of this **Section 9.1.3**, or more frequently if requested by Agent or any Lender during any period that a Default or Event of Default exists, Borrowers shall cause to be prepared and furnished to Agent and Lenders a Compliance Certificate executed by the chief financial officer of Parent in the form of **Exhibit E** attached hereto.

Promptly after the sending or filing thereof and upon the request of Agent, Borrowers shall also provide to Agent copies of any annual report to be filed in accordance with ERISA in connection with each Plan and such other data and information (financial and otherwise) as Agent, from time to time, may reasonably request bearing upon or related to the Collateral or any Credit Party's and each of its Subsidiaries' financial condition or results of operations.

9.1.4. **Landlord and Storage Agreements.** Provide Agent with copies of all existing agreements, and promptly after execution thereof provide Agent with copies of all future agreements, between any Credit Party and any landlord, warehouseman or bailee which owns any premises at which any Eligible Accounts, Eligible Inventory, books and records or any other material Collateral) is, from time to time, kept.

9.1.5. **Projections.** No later than 15 days prior to the end of each Fiscal Year of Parent, deliver to Agent and Lenders the Projections of Parent and its Subsidiaries for the forthcoming two Fiscal Years, year by year, and for the forthcoming Fiscal Year, month by month.

9.1.6. **Taxes.** Pay and discharge all Taxes prior to the date on which such Taxes become delinquent or penalties attach thereto, except and to the extent only that such Taxes are being Properly Contested.

9.1.7. **Compliance with Laws.** Comply with all Applicable Law, including ERISA, all Environmental Laws, FLSA, OSHA, and all laws, statutes, regulations and ordinances regarding the collection, payment and deposit of Taxes, and obtain and keep in force any and all Governmental Approvals necessary to the ownership of its Properties or to the conduct of its business, to the extent that any such failure to comply, obtain or keep in force could be reasonably expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, if any Environmental Release required to be reported to any Governmental Authority shall occur at or on any of the Properties of any Credit Party or any of its Subsidiaries, Borrowers shall, or shall cause the applicable Subsidiary to, act promptly and diligently to investigate and report to Agent and if required by Applicable Law all appropriate Governmental Authorities the extent of, and to make appropriate remedial action as required by Applicable Law to eliminate, such Environmental Release, whether or not ordered or otherwise directed to do so by any Governmental Authority.

9.1.8. **Insurance.** In addition to the insurance required herein with respect to the Collateral, maintain, with financially sound and reputable insurers, (i) insurance with respect to its Properties and business against such casualties and contingencies of such type (including product liability, workers' compensation, or larceny, embezzlement or other criminal misappropriation insurance) and in such amounts as is customary in the business of such Borrower or such Subsidiary.

9.1.9. Intellectual Property. Promptly after applying for or otherwise acquiring any registered Intellectual Property, deliver to Agent in form and substance acceptable to Agent and in recordable form, all documents necessary for Agent to perfect its Lien on such Intellectual Property.

9.1.10. [Intentionally Omitted]

9.1.11. Pledged Shares. Pledge to Agent, for the benefit itself and Lenders, all of the Equity Interests of each of their respective Subsidiaries from time to time pursuant to a Pledge Agreement.

9.1.12. Motor Vehicle Titles. Promptly deliver to Agent the originals of substantially all certificates of title (now existing or hereafter arising) issued to any Credit Party, on motor vehicles not subject to a Purchase Money Lien, and execute such documentation and take such actions as shall be required by Agent in order for Agent, on behalf of itself and Lenders, to obtain a perfected Lien subject to no Liens other than Permitted Liens in such motor vehicles as collateral for the Obligations.

9.1.13. [Intentionally Omitted].

9.1.14. [Intentionally Omitted].

9.1.15. Banking Relationship. In order to facilitate the administration of the credit facility established pursuant to this Agreement and Agent's security interest in the Collateral, each Credit Party shall have established and as long as this Agreement is in effect thereafter shall maintain Bank as such Credit Party's principal depository bank, including for the maintenance of operating, administrative, cash management, collection activity and other deposit accounts for the conduct of such Credit Party's business; provided that Credit Parties shall not be required to maintain the Excluded Cash Account balances at Bank, or any other deposit accounts reasonably approved by Agent for locations where Bank does not maintain a branch, as long as such other deposit accounts (other than payroll accounts containing only amounts used to pay current payroll related obligations) are governed by a control agreement in favor of Agent to be effective no later than 90 days after the Closing Date.

9.1.16. Compliance with Reorganization Plan. Credit Parties shall, at all times, comply in all material respects with all terms, conditions and provisions of the Reorganization Plan and the Confirmation Order.

9.1.17. Tranche B Liens. Credit Parties hereby agree (a) that if Tranche B Agent or Tranche B Lenders are granted a Lien in any Property of any Credit Party or any guarantor or any other person or entity as security for the Tranche B Loan, Credit Parties shall ensure that Agent, on behalf of Lenders, shall also promptly receive a Lien in such Property, and shall ensure that Agent's Lien in such Property shall be prior to such other Liens, pursuant to documentation satisfactory to Agent in the good faith exercise of its credit judgment, and (b) that if any Person guarantees all or any portion of the Tranche B Loan, Credit Parties shall ensure that a comparable guarantee is promptly obtained in favor of Agent and Lenders in connection with the Obligations, pursuant to documentation satisfactory to Agent in the good faith exercise of its credit judgment.

9.2. Negative Covenants. For so long as there are any Commitments outstanding and thereafter until payment in full of the Obligations, each Credit Party covenants that, unless the Required Lenders have otherwise consented in writing, it shall not and shall not permit any of its Subsidiaries to:

9.2.1. Fundamental Changes. Merge, reorganize, consolidate or amalgamate with any Person, or liquidate, wind up its affairs or dissolve itself, except for mergers or consolidations of any

Subsidiary with another Subsidiary or Parent; change its name or conduct business under any new fictitious name unless Agent is notified not less than thirty calendar days (or such lesser period of time as shall be acceptable in any specific instance to Agent) in advance of such name change; or change its FEIN.

9.2.2. Loans. Make any loans or other advances of money to any Person other than to (i) a Subsidiary or (ii) an officer or employee of a Borrower or a Subsidiary of a Borrower for salary, travel advances, advances against commissions and other similar advances in the Ordinary Course of Business.

9.2.3. Permitted Debt. Create, incur, assume, guarantee or suffer to exist any Debt, except:

(i) the Obligations;

(ii) the Tranche B Loan; provided, Agent shall have received a duly executed Intercreditor Agreement in form and substance satisfactory to Agent;

(iii) accounts payable, current accrued operating expenses (other than for borrowed money) and other non-cash accruals by such Credit Party or any of its Subsidiaries that are not aged more than 90 days from billing date or more than 30 days from the due date, in each case incurred in the Ordinary Course of Business and paid within such time period of being due (or billing date, as applicable), unless the same are being Properly Contested;

(iv) obligations to pay Rentals permitted by **Section 9.2.14**;

(v) Permitted Purchase Money Debt;

(vi) Debt for accrued payroll, Taxes, and other operating expenses (other than for Money Borrowed) incurred in the Ordinary Course of Business of such Credit Party or such Subsidiary, including cash management obligations, in each case, so long as payment thereof is not past due and payable unless, in the case of Taxes only, such Taxes are being Properly Contested;

(vii) Permitted Contingent Obligations;

(viii) Debt in the form of reimbursement obligations for Surety Bonds procured in Ordinary Course of Business, provided such Surety Bonds are issued pursuant to a bonding program acceptable to Agent (for the avoidance of doubt, the bonding programs of Chubb, Sure Tec and Scarborough in effect on the Closing Date are acceptable to Agent);

(ix) Permitted Capitalized Lease Obligations;

(x) Subordinated Debt in the amount existing on the date hereof;

(xi) Debt among Credit Parties;

(xii) Debt consisting of "Billings in Excess of Costs and Estimated Earnings On Uncompleted Contracts", and "Other Non Current Liabilities" each as listed on Parent's reported financial statements (which reporting is consistent with prior periods); provided that such categories of Debt shall not include Debt for Money Borrowed;

(xiii) Debt that is not included in any of the preceding paragraphs of this **Section 9.2.3**, is not secured by a Lien (unless such Lien is a Permitted Lien) and does not exceed at any time, in the aggregate, the sum of \$500,000 as to all Borrowers and all of their Subsidiaries; and

(xiv) Refinancing Debt so long as the Refinancing Conditions are met.

9.2.4. **Affiliate Transactions.** Enter into, or be a party to any transaction with any Affiliate or stockholder, except: (i) the transactions contemplated by the Loan Documents; (ii) payment of reasonable compensation to officers and employees for services actually rendered to Credit Parties or to their respective Subsidiaries; (iii) payment of customary directors' fees and indemnities; (iv) transactions with Affiliates that were consummated prior to the date hereof and have been disclosed to Agent prior to the Closing Date; (v) transactions with Affiliates (including among Credit Parties) in the Ordinary Course of Business and pursuant to the reasonable requirements of such Credit Party's or such Subsidiary's business and upon fair and reasonable terms that are no less favorable to such Credit Party or such Subsidiary than such Credit Party or such Subsidiary would obtain in a comparable arm's length transaction with a Person not an Affiliate or stockholder of such Credit Party or such Subsidiary; and (vi) transactions solely among Credit Parties; provided, that no Credit Party may make any loan, advance or contribution to any Restricted Subsidiary if such loan, advance or contribution would cause all loans, advances and contributions to Restricted Subsidiaries after the Closing Date to exceed \$100,000 in the aggregate.

9.2.5. **Limitation on Liens.** Create or suffer to exist any Lien upon any of its Property, income or profits, whether now owned or hereafter acquired, except the following (collectively, "Permitted Liens"):

(i) Liens at any time granted in favor of Agent;

(ii) Liens for Taxes (excluding any Lien imposed pursuant to any of the provisions of ERISA) not yet due or being Properly Contested;

(iii) statutory Liens (excluding any Lien imposed pursuant to any of the provisions of ERISA) arising in the Ordinary Course of Business of such Credit Party or a Subsidiary, but only if and for long as (x) payment in respect of any such Lien is not at the time required or the Debt secured by any such Lien is being Properly Contested and (y) such Liens do not materially detract from the value of the Property of such Credit Party or such Subsidiary and do not materially impair the use thereof in the operation of such Credit Party's or such Subsidiary's business;

(iv) Purchase Money Liens securing Permitted Purchase Money Debt;

(v) Liens securing Debt of a Subsidiary of any Borrower to a Borrower or to another Subsidiary;

(vi) Liens arising by virtue of the rendition, entry or issuance against such Credit Party or any of its Subsidiaries, or any Property of such Credit Party or any of its Subsidiaries, of any judgment, writ, order, or decree for so long as any such Lien (a) is in existence for less than 30 consecutive days after it first arises or is being Properly Contested and (b) is at all times junior in priority to any Liens in favor of Agent;

(vii) Liens incurred or deposits made in the Ordinary Course of Business to secure the performance of tenders, bids, leases, contracts (other than for the repayment of Money Borrowed), statutory obligations and other similar obligations or arising as a result of progress payments under government contracts, provided that, to the extent any such Liens attach to any of the Collateral, such Liens are at all times subordinate and junior to the Liens upon the Collateral in favor of Agent;

(viii) easements, rights-of-way, restrictions, covenants or other agreements of record and other similar charges or encumbrances on real Property of such Credit Party or any of its Subsidiaries listed in the Mortgages on the Closing Date as exceptions to title or that do not materially interfere with the ordinary conduct of the business of such Credit Party or such Subsidiary;

(ix) normal and customary rights of setoff upon deposits of cash in favor of banks and other depository institutions and Liens of a collection bank arising under the UCC on Payment Items in the course of collection;

(x) such other Liens of record and acceptable to Agent as appear on Schedule 9.2.5 hereto, to the extent provided therein;

(xi) Liens in favor of Sureties in the Surety Collateral securing reimbursement obligations for Surety Bonds procured by a Borrower in the Ordinary Course of Business pursuant to a bonding program acceptable to Agent; provided, that such Surety (other than Sure Tec) has, pursuant to documentation satisfactory to Agent in the good faith exercise of its credit judgment: (a) agreed not to require segregation of funds as to its Bonded Collateral without the prior written consent of Agent (though as to Chubb, Chubb will be permitted such segregation upon a default under the Bonded Contract and notice to Agent from Chubb) and (b) (i) acknowledged and agreed that pursuant to the Credit Parties' cash management system established in connection with this Agreement, proceeds of the Surety Collateral, including Accounts arising from the Bonded Contracts (collectively, "Proceeds") may be commingled with proceeds of other Accounts and other Property of Borrowers in the Dominion Account and other Deposit Accounts in which Agent has, or in the future may have, security interests, Liens or other rights, and (ii) consented to such commingling and to security interests, Liens or other rights in the Dominion Account and such other Deposit Accounts, and (iii) released and waived any and all security interests and other legal and equitable rights and interests that it may then or thereafter have (as secured party, subrogee, trust fund beneficiary, or otherwise) in or to (A) the Dominion Account and such other Deposit Accounts and (B) Proceeds that from time to time are in the Dominion Account and such other Deposit Accounts are in the possession of Agent or Lenders, that have been applied to indebtedness, liabilities or obligations from time to time owing to Agent or any Lender by Borrowers, or have otherwise been removed from, set off against or applied from the Dominion Account and such other Deposit Accounts; and provided, further, that in the case of Sure Tec, such Borrower and Sure Tec are in compliance with the terms of the Sure Tec Letter;

(xii) Liens in favor of the Tranche B Agent but only to the extent such Liens secure the Tranche B Loan and the other obligations under the Tranche B Documentation and such Liens are subordinated to the Liens in favor of Agent to the extent provided in the Intercreditor Agreement; and

(xiii) such other Liens as Agent and the Required Lenders in their sole discretion may hereafter approve in writing.

The foregoing negative pledge shall not apply to any Margin Stock to the extent that the application of such negative pledge to such Margin Stock would require filings or other actions by any Lender under such regulations or otherwise result in a violation of such regulations.

9.2.6. [Intentionally Omitted].

9.2.7. Distributions. Declare or make any Distributions, except for Upstream Payments and repurchases of common stock of Parent from employees solely to satisfy their tax obligations arising from their acquisition of such common stock in an aggregate amount not to exceed \$1,500,000 in any fiscal year of Credit Parties; provided, that no such repurchases of common stock of Parent shall be permitted unless Borrower has Availability of at least \$10,000,000 at the time of such repurchase after giving effect to such repurchase.

9.2.8. Upstream Payments. Create or suffer to exist any encumbrance or restriction on the ability of a Subsidiary to make any Upstream Payment, except for encumbrances or restrictions (i) pursuant to the Loan Documents, (ii) pursuant to the Tranche B Documents to the extent such encumbrances or restrictions are consistent with the encumbrances or restrictions contained in the Loan Documents, (iii) existing under Applicable Law and (iv) identified and fully disclosed in Schedule 9.2.8.

9.2.9. Capital Expenditures. Make Capital Expenditures (including, expenditures by way of capitalized leases) which in the aggregate, as to Parent and its Subsidiaries, exceed the amount set forth for the corresponding period set forth below:

Period	Amount
October 1, 2005 through May 31, 2006	\$2,800,000
October 1, 2005 through June 30, 2006	\$3,500,000
October 1, 2005 through July 31, 2006	\$4,300,000
October 1, 2005 through August 31, 2006	\$5,000,000
October 1, 2005 through September 30, 2006	\$5,700,000

9.2.10. Disposition of Assets. Sell, assign, lease, consign or otherwise dispose of any of its Properties or any interest therein, including any disposition of Property as part of a sale and leaseback transaction, to or in favor of any Person, except (i) sales of Inventory in the Ordinary Course of Business for so long as no Event of Default exists hereunder, (ii) dispositions of Equipment to the extent authorized by Section 7.4.2 hereof, (iii) a transfer of Property to a Borrower by a Subsidiary, and (iv) other dispositions expressly authorized by other provisions of the Loan Documents.

9.2.11. Subsidiaries. Form or acquire any Subsidiary after the Closing Date or permit any existing Subsidiary to issue any additional Equity Interests to any Person other than Parent except director's qualifying shares.

9.2.12. Bill-and-Hold Sales and Consignments. Make a sale to any customer on a bill-and-hold, guaranteed sale, sale and return, sale on approval or consignment basis, or any sale on a repurchase or return basis.

9.2.13. Restricted Investments. Except as disclosed on Schedule 9.2.13, make or have any Restricted Investment. No Credit Party shall make any loan, advance or capital contribution to any Restricted Subsidiary if such loan, advance or contribution would cause all loans, advances and contributions to Restricted Subsidiaries after the Closing Date to exceed \$100,000 in the aggregate.

9.2.14. Leases. Become a lessee under any operating lease (other than a lease under which a Credit Party or any of the Subsidiaries is lessor) of Property if the aggregate Rentals payable during any current or future period of 12 consecutive months under the lease in question and all other leases under which Parent or any of the Subsidiaries of Parent is then lessee would exceed \$25,000,000. The term "Rentals" means, as of the date of determination, all payments which the lessee is required to make by the terms of any lease.

9.2.15. Tax Consolidation. File or consent to the filing of any consolidated income tax return with any Person other than Parent and its Subsidiaries.

9.2.16. Accounting Changes. Make any significant change in accounting treatment or reporting practices, except as may be required by GAAP or establish a fiscal year different from the Fiscal Year.

9.2.17. Organization Documents. Amend, modify or otherwise change any of the terms or provisions in any of its Organization Documents as in effect on the Closing Date, except for changes that do not affect in any way such Credit Party's or any of its Subsidiaries' rights and obligations to enter into and perform the Loan Documents to which it is a party and to pay all of the Obligations and that do not otherwise have a Material Adverse Effect.

9.2.18. Restrictive Agreements. Enter into or become party to any Restrictive Agreement other than those disclosed in Schedule 8.1.18 hereto, provided that none of such disclosed agreements shall be amended without prior notice to and the consent of Agent.

9.2.19. Conduct of Business. Engage in any business other than the business engaged in by it on the Closing Date and any business or activities which are substantially similar, related or incidental thereto.

9.2.20. Payments on Subordinated Debt. Make any payment of principal, interest or premiums on any Subordinated Debt unless such payment is specifically permitted by the provisions of the relevant subordination agreement.

9.2.21. Excluded Cash Accounts. Use funds in the Excluded Cash Accounts for any purpose other than as listed in the definition thereof.

9.2.22. Use of Proceeds in Connection with Bonded Contracts. Use proceeds of the Loans in connection with funding work related to the Bonded Contracts unless such use is upon terms, provisions and conditions acceptable to Agent, in its good faith discretion (such as, without limitation, Agent being satisfied with its Lien priority and right to proceeds relating to Borrowers' assets and restrictions on when payments may be made by Borrowers in connection with Bonded Contracts); provided, however, except as otherwise provided in the Chubb Intercreditor, Lenders agree that the foregoing shall not be construed to prevent any ability of Chubb to receive payment out of any assets of

any Borrower in which Chubb has a first priority Lien in a circumstance where Chubb has made a payment on a Surety Bond and Chubb is seeking reimbursement for such payment from such Borrower.

9.2.23. Consent to Amendment of Reorganization Plan. Amend, supplement or modify any of the terms of the Reorganization Plan, unless the consent of Agent for such amendment, supplement or modification has been obtained.

9.2.24. Prepayment of Tranche B Loan. Make any prepayment on account of the Tranche B Loan unless such payment is not prohibited by the Intercreditor Agreement.

9.2.25. Surety Bonds. Request the issuance of a Surety Bond from any Surety after the Closing Date without (i) providing prior written notice thereof to Agent in accordance with **Section 9.1.3(vii)** and (ii) obtaining the prior written consent of Agent to the issuance of such Surety Bond, which such consent shall be in Agent's sole discretion.

9.3. Financial Covenants. For so long as there are any Commitments outstanding and thereafter until payment in full of the Obligations, Credit Parties covenant that, unless otherwise consented to by the Required Lenders in writing, they shall:

9.3.1. Minimum EBITDAR/EBITDA. Not permit the result of (i) (A) for periods occurring prior to the date of this Agreement, Consolidated EBITDAR and (B) for all periods occurring thereafter, Consolidated EBITDA, minus (ii) Shutdown EBIT, to be less than the amount set forth below for the corresponding period set forth below as of the last day of such period:

<u>Period</u>	<u>Amount</u>
October 1, 2005 through May 31, 2006	\$13,000,000
October 1, 2005 through June 30, 2006	\$15,000,000
October 1, 2005 through July 31, 2006	\$17,000,000
October 1, 2005 through August 31, 2006	\$19,000,000
October 1, 2005 through September 30, 2006	\$20,000,000

9.3.2. Shutdown EBIT. Not permit Shutdown EBIT to be less than the amount set forth below for the corresponding period set forth below as of the last day of such period:

<u>Period</u>	<u>Amount</u>
October 1, 2005 through May 31, 2006	-\$14,000,000
October 1, 2005 through June 30, 2006	-\$16,000,000
October 1, 2005 through July 31, 2006	-\$16,000,000

Period	Amount
October 1, 2005 through August 31, 2006	-\$17,000,000
October 1, 2005 through September 30, 2006	-\$18,000,000
Any calendar month thereafter	\$ 0

9.3.3. Net Working Capital. Not permit Net Working Capital of the Credit Parties (other than any Shutdown Subsidiaries), on a Consolidated basis, to be less than the amount set forth below for the corresponding period set forth below as of the last day of such period:

Period	Amount
May 1, 2006 through May 31, 2006	\$114,000,000
June 1, 2006 through June 30, 2006	\$115,000,000
July 1, 2006 through July 31, 2006	\$117,000,000
August 1, 2006 through August 31, 2006	\$118,000,000
September 1, 2006 through September 30, 2006	\$121,000,000

9.3.4. Conversion to Cash of Shutdown Subsidiaries' Non-Cash Modified Net Working Capital. Cause the Shutdown Subsidiaries to convert their aggregate Modified Net Working Capital existing as of March 31, 2006 to cash in at least the amount set forth below for the corresponding period set forth below as of the last day of such period:

Period	Amount of Non-Cash Net Working Capital Converted to Cash
March 31, 2006 through May 31, 2006	\$ 6,000,000
March 31, 2006 through June 30, 2006	\$ 8,250,000
March 31, 2006 through July 31, 2006	\$10,800,000
March 31, 2006 through August 31, 2006	\$13,600,000
March 31, 2006 through September 30, 2006	\$15,500,000

Period	Amount of Non-Cash Net Working Capital Converted to Cash
March 31, 2006 through October 31, 2006	\$17,200,000
March 31, 2006 through November 30, 2006	\$18,900,000
March 31, 2006 through December 31, 2006	\$20,600,000
March 31, 2006 through January 31, 2007	\$22,300,000
March 31, 2006 through February 28, 2007	\$22,600,000
March 31, 2006 through March 31, 2007	\$23,600,000

9.3.5. Commercial EBIT. Not permit monthly Commercial EBIT, tested as of the last day of each calendar month for such calendar month, to be less than (i) \$1,200,000 for any two consecutive calendar months occurring in the fiscal year ending September 20, 2006 and (ii) \$1,250,000 for any two consecutive calendar months occurring thereafter.

9.3.6. Residential EBIT. Not permit monthly Residential EBIT, tested as of the last day of each calendar month for such calendar month, to be less than \$1,750,000 for any two consecutive calendar months.

9.3.7. Fixed Charge Coverage Ratio. Maintain a Fixed Charge Coverage Ratio, on a Consolidated basis, of not less than 1.25:1.00, with the Fixed Charge Coverage Ratio to be tested on the last day of each calendar month, beginning with October 31, 2006, calculated on a trailing twelve calendar month basis.

9.3.8. Leverage Ratio. Maintain a Leverage Ratio, on a Consolidated basis, tested monthly on the last day of each calendar month on a trailing twelve calendar month basis, beginning October 31, 2006, of not more than the ratio set forth below opposite the relevant date set forth below:

Period Ending	Leverage Ratio
October 31, 2006	4.75:1.00
November 30, 2006	4.75:1.00
December 31, 2006	4.75:1.00
January 31, 2007	4.75:1.00
February 28, 2007	4.75:1.00
March 31, 2007	4.75:1.00
April 30, 2007 and last day of each month thereafter	4.25:1.00

9.4. Additional Cash Collateral. Maintain at all times Cash Collateral in the Cash Collateral Account of at least 20,000,000.

SECTION 10. CONDITIONS PRECEDENT

10.1. Conditions Precedent to Initial Credit Extensions. Initial Lenders shall not be required to fund any Loan requested by Borrowers or otherwise extend credit to Borrowers and Agent shall not be obligated to cause the Letter of Credit Issuer to issue any Letter of Credit on the Closing Date, unless each of the following conditions has been satisfied:

10.1.1. **Loan Documents.** Each of the Loan Documents shall have been duly executed and delivered to Agent by each of the signatories thereto (and, with the exception of the Notes, in sufficient counterparts for each Lender) and accepted by Agent and Initial Lenders and each Credit Party shall be in compliance with all of the terms thereof.

10.1.2. **Availability.** Subject to Agent confirming that Borrowers' accounts payable have been handled in the normal course of Borrowers' business and consistent with Borrowers' historical practices subject to the Chapter 11 proceeding, Agent shall have determined, and Initial Lenders shall be satisfied that, immediately after Initial Lenders have made the initial Revolver Loans to be made on the Closing Date and Letter of Credit Issuer has issued the Letters of Credit to be issued or outstanding on the Closing Date, and Borrowers have paid (or made provision for payment of) all closing costs incurred in connection with the Commitments, Availability plus Cash Collateral deposited in a Cash Collateral Account in excess of the amount required pursuant to **Section 9.4** is not less than \$10,000,000.

10.1.3. **Organization Documents.** Agent shall have received copies of the Organization Documents of each Credit Party, and all amendments thereto, certified by an officer of Parent or such Credit Party.

10.1.4. **Good Standing Certificates.** Agent shall have received good standing certificates for each Obligor, issued by the Secretary of State or other appropriate official of such Credit Party's jurisdiction of organization and each jurisdiction where such Credit Party's principal place of business is located.

10.1.5. **Opinion Letters.** Agent shall have received a favorable, written opinion of Vinson & Elkins LLP, counsel to Credit Parties, covering, to Agent's satisfaction, such matters as shall be required by Agent.

10.1.6. **Insurance.** Agent shall have received copies of the property and casualty insurance policies of Credit Parties with respect to the Collateral, or certificates of insurance with respect to such policies in form acceptable to Agent, and loss payable endorsements on Agent's standard form of loss payee endorsement naming Agent as loss payee with respect to each such policy identified by Agent and copies of Credit Parties' liability insurance policies, including product liability policies, together with endorsements naming Agent as an additional insured on each policy identified by Agent, all as required by the Loan Documents.

10.1.7. [Intentionally Omitted].

10.1.8. **No Labor Disputes.** Agent shall have received assurances satisfactory to it that there are no threats of strikes or work stoppages by any employees, or organization of employees, of any Obligor which Agent reasonably determines may have a Material Adverse Effect.

10.1.9. Compliance with Laws and Other Agreements. Agent shall have determined or received assurances satisfactory to it that none of the Loan Documents or any of the transactions contemplated thereby violate any Applicable Law, court order or agreement binding upon any Obligor.

10.1.10. No Material Adverse Change. Except for the filing and prosecution of the Bankruptcy Case, no material adverse change in the assets, liabilities, business, financial condition, business prospects or results of operations of the Credit Parties, taken as a whole, shall have occurred since March 31, 2006.

10.1.11. Amendment and Restatement of Mortgage. Agent shall have received duly executed amendments and restatements of the Mortgage, in form and substance satisfactory to Agent.

10.1.12. Payment of Fees. Borrowers shall have paid, or made provision for the payment on the Closing Date of, all fees and expenses to be paid hereunder and under the Fee Letter to Agent and Lenders on the Closing Date.

10.1.13. LC Conditions. With respect to the issuance of any Letter of Credit on the Closing Date, each of the conditions listed at **Section 1.2.3** is satisfied.

10.1.14. Dominion Accounts. To the extent required by Agent, Agent shall have received the duly executed agreements establishing each Dominion Account, in each case with a financial institution acceptable to Agent for the collection or servicing of the Accounts.

10.1.15. Financial Statements. Agent and Lenders shall have received (a) updated financial projections of Parent and Subsidiaries evidencing the Credit Parties' ability to comply with the financial covenants set forth in **Section 9.3** and (b) interim unaudited balance sheet of Parent and its Subsidiaries as of March 31, 2006 and the related unaudited Consolidated statements of income and cash flow, each satisfactory in form and substance to Agent in all respects.

10.1.16. Chubb Intercreditor. Agent shall have received the Chubb Intercreditor, in form and substance satisfactory to Agent, duly executed by Chubb, Credit Parties and Agent.

10.1.17. Intentionally Omitted.

10.1.18. Sure Tec Letter. Agent shall be satisfied in its sole discretion that the structure of any bonding services provided by Sure Tec to Borrowers shall continue to be as specified in the Sure Tec Letter.

10.1.19. Scarborough Letter. Agent shall be satisfied in its sole discretion that the structure of any bonding services provided by Scarborough to Borrowers shall continue to be as specified in the Scarborough Letter.

10.1.20. Surety Bonds. Agent shall have received evidence in form and substance satisfactory to Agent in its sole discretion, that Borrowers shall have entered into agreements with Sureties (including Chubb, Scarborough, and Sure Tec) for the issuance of Surety Bonds in an aggregate amount up to \$75,000,000 on terms and conditions acceptable to Agent and consistent with the requirements of this Agreement.

10.1.21. Tranche B Loan. The Tranche B Loan shall be contemporaneously funded, and Agent shall have received a copy of all of the Tranche B Documentation, all of which shall be in form and substance satisfactory to Agent.

- 10.1.22. Intercreditor Agreement. Agent shall have received the Intercreditor Agreement, in form and substance satisfactory to Agent, duly executed by Credit Parties, Tranche B Agent and Agent.
- 10.1.23. Payoff of Senior Convertible Notes. Agent shall have received evidence satisfactory to Agent that the Senior Convertible Notes have been paid off in full.
- 10.1.24. Treatment of Senior Subordinated Notes. The treatment of the Senior Subordinated Notes in the Reorganization Plan shall not have been modified or amended.
- 10.1.25. Confirmation of Reorganization Plan. The Reorganization Plan shall have been confirmed by a Final Order of the Bankruptcy Court (the "Confirmation Order"), and which order shall be in full force and effect and shall not have been stayed by the Bankruptcy Court or by any other court having jurisdiction to issue any such stay.
- 10.1.26. Effective Date. The "Effective Date" (as defined in the Reorganization Plan) shall have occurred or shall occur concurrently with the Closing Date. All conditions to the Effective Date shall have been satisfied or waived (or contemporaneously herewith satisfied or waived) and Agent shall have received satisfactory evidence thereof.
- 10.1.27. DIP Loan Agreement. No default exists under the DIP Loan Agreement or the other loan documents executed in connection with the DIP Loan Agreement.
- 10.1.28. Successful Syndication. Agent shall have assigned at least \$40,000,000 of the Commitments to other Lenders on terms and conditions satisfactory to Agent.
- 10.1.29. Corporate and Capital Structure of Credit Parties. Agent shall have approved the corporate and capital structure of the Credit Parties.
- 10.1.30. Other Documents. All other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered, executed or recorded and shall be in form and substance reasonably satisfactory to Agent.
- 10.2. Conditions Precedent to All Credit Extensions**. Lenders shall not be required to fund any Loans, or otherwise extend credit to or for the benefit of Borrowers, and Agent shall not have the obligation to cause the Letter of Credit Issuer to issue any Letter of Credit, unless and until each of the following conditions has been and continues to be satisfied:
- 10.2.1. No Defaults. No Default or Event of Default exists at the time, or would result from the funding, of any Loan or other extension of credit.
- 10.2.2. Satisfaction of Conditions in Other Loan Documents. Each of the conditions precedent set forth in any other Loan Documents shall have been and shall remain satisfied.
- 10.2.3. No Litigation. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, or which is related to or arises out of, this Agreement or any of the other Loan Documents or the consummation of the transactions contemplated hereby or thereby.
- 10.2.4. No Material Adverse Effect. No event shall have occurred and no condition shall exist which has or could be reasonably expected to have a Material Adverse Effect.

10.2.5. Borrowing Base Certificate. Agent shall have received each Borrowing Base Certificate required by the terms of this Agreement or otherwise requested by Agent.

10.2.6. LC Conditions. With respect to the procurement of any Letter of Credit after the Closing Date, each of the conditions to **Section 1.2.3** is satisfied.

10.2.7. Fees and Expenses. Agent shall have received (for the benefit of itself and the Lenders) when due all fees and expenses payable to Agent and Lenders as set forth in this Agreement or in the Loan Documents, including, without limitation, the fees set forth in Section 2.2 hereof.

10.2.8. Borrowing Base. The amount of the Revolver Loans, after giving effect to the requested Loan, shall not exceed the Borrowing Base.

10.2.9. Reorganization Plan. The Reorganization Plan shall be in full force and effect and shall not have been vacated, reversed, modified (other than as provided in Section 9.2.23) or stayed in any respect.

10.3. Inapplicability of Conditions. None of the conditions precedent set forth in **Sections 10.1** or **10.2** shall be conditions to the obligation of (i) each Participating Lender to make payments to Agent pursuant to participations purchased in any Credit Support or issued Letters of Credit, (ii) each Lender to deposit with Agent such Lender's Pro Rata share of a Borrowing in accordance with **Section 3.1.2**, (iii) each Lender to fund its Pro Rata share of a Revolver Loan to repay outstanding Settlement Loans to Agent as provided in **Section 3.1.3(ii)**, (iv) each Lender to pay any amount payable to Agent or any other Lender pursuant to this Agreement or (v) Agent to pay any amount payable to any Lender pursuant to this Agreement.

10.4. Limited Waiver of Conditions Precedent. If Lenders shall make any Loans or Letter of Credit Issuer shall issue any Letter of Credit or otherwise extend any credit to Borrowers under this Agreement at a time when any of the foregoing conditions precedent are not satisfied (regardless of whether the failure of satisfaction of any such conditions precedent was known or unknown to Agent or Lenders), the funding of such Loan or issuance of such Letter of Credit shall not operate as a waiver of the right of Agent and Lenders to insist upon the satisfaction of all conditions precedent with respect to each subsequent Borrowing requested by Borrowers or a waiver of any Default or Event of Default as a consequence of the failure of any such conditions to be satisfied, unless Agent, with the prior written consent of the Required Lenders, in writing waives the satisfaction of any condition precedent, in which event such waiver shall only be applicable for the specific instance given and only to the extent and for the period of time expressly stated in such written waiver.

SECTION 11. EVENTS OF DEFAULT; RIGHTS AND REMEDIES ON DEFAULT

11.1. Events of Default. The occurrence or existence of any one or more of the following events or conditions shall constitute an "Event of Default" (each of which Events of Default shall be deemed to exist unless and until waived by Agent and Lenders in accordance with the provisions of **Section 12.9** hereof):

11.1.1. Payment of Obligations. Borrowers shall fail to pay any of the Obligations on the due date thereof (whether due at stated maturity, on demand, upon acceleration or otherwise).

11.1.2. Misrepresentations. Any representation, warranty or other written statement to Agent or any Lender by or on behalf of any Credit Party or any other Obligor, whether made in or furnished in compliance with or in reference to any of the Loan Documents, proves to have been false or

misleading in any material respect when made or furnished or when reaffirmed pursuant to **Section 8.2** hereof.

11.1.3. **Breach of Specific Covenants.** Any Credit Party or any other Obligor shall fail or neglect to perform, keep or observe any covenant contained in **Sections 6.5, 7.1.1, 7.2.4, 7.2.5, 7.2.6, 7.5, 9.1.1, 9.1.3, 9.2 or 9.3** hereof on the date that such Credit Party or any other Obligor is required to perform, keep or observe such covenant.

11.1.4. **Breach of Other Covenants.** Any Credit Party or any other Obligor shall fail or neglect to perform, keep or observe any covenant contained in this Agreement (other than a covenant which is dealt with specifically elsewhere in **Section 11.1** hereof) and the breach of such other covenant is not cured to Agent's and the Required Lender's satisfaction within 30 days after the sooner to occur of any Senior Officer's receipt of notice of such breach from Agent or the date on which such failure or neglect first becomes known to any Senior Officer; provided, however, that such notice and opportunity to cure shall not apply in the case of any failure to perform, keep or observe any covenant which is not capable of being cured at all or within such 30-day period or which is a willful and knowing breach by any Credit Party.

11.1.5. **Default Under Security Documents/Other Agreements.** Any Credit Party or any other Obligor shall default in the due and punctual observance or performance of any liability or obligation to be observed or performed by it under any of the Other Agreements or Security Documents.

11.1.6. **Other Defaults.** There shall occur any default or event of default on the part of any Credit Party or any Subsidiary under any agreement, document or instrument (excluding immaterial customer contracts) to which such Credit Party or such Subsidiary is a party or by which such Credit Party or such Subsidiary or any of their respective Properties is bound, creating or relating to any Debt of Borrower (other than the Obligations) in excess of \$500,000 and any grace period applicable to such default or event of default shall have expired if the payment or maturity of such Debt may be accelerated in consequence of such event of default or demand for payment of such Debt may be made.

11.1.7. **Uninsured Losses.** Any loss, theft, damage or destruction of any of the Collateral not fully covered (subject to such deductibles as Agent shall have permitted) by insurance if the amount not covered by insurance exceeds \$100,000.

11.1.8. [Intentionally Omitted].

11.1.9. **Solvency.** Any Borrower (other than any Shutdown Subsidiary) shall cease to be Solvent; provided that the occurrence of such an event with respect to a Borrower whose assets have been sold pursuant to a transaction approved by Agent in writing shall not be an Event of Default if such Borrower is added to the list of Shutdown Subsidiaries at the time of such transaction with the consent of Agent.

11.1.10. **Insolvency Proceedings.** Any Insolvency Proceeding shall be commenced by any Obligor; an Insolvency Proceeding is commenced against any Obligor and any of the following events occur: such Obligor consents to the institution of the Insolvency Proceeding against it, the petition commencing the Insolvency Proceeding is not timely controverted by such Obligor, the petition commencing the Insolvency Proceeding is not dismissed within 60 days after the date of the filing thereof (provided that, in any event, during the pendency of any such period, Lenders shall be relieved from their obligation to make Loans or otherwise extend credit to or for the benefit of Borrowers hereunder), an interim trustee is appointed to take possession of all or a substantial portion of the Properties of such Obligor or to operate all or any substantial portion of the business of such Obligor, or an order for relief

shall have been issued or entered in connection with such Insolvency Proceeding; or any Obligor shall make an offer of settlement, extension or composition to its unsecured creditors generally.

11.1.11. Business Disruption; Condemnation. There shall occur a cessation of a substantial part of the business of any Borrower for a period which may be reasonably expected to have a Material Adverse Effect; or any Obligor shall suffer the loss or revocation of any license or permit now held or hereafter acquired by such Obligor which is necessary to the continued or lawful operation of any material portion of its business; or any Obligor shall be enjoined, restrained or in any way prevented by court, governmental or administrative order from conducting all or any material part of its business affairs; or any material lease or agreement pursuant to which any Obligor leases or occupies any premises on which any Collateral is located shall be canceled or terminated prior to the expiration of its stated term and such cancellation or termination has a Material Adverse Effect or results in an Out-of-Formula Condition; or any material part of the Collateral shall be taken through condemnation or the value of such Property shall be materially impaired through condemnation.

11.1.12. Change of Control. There shall occur a Change of Control.

11.1.13. ERISA. A Reportable Event shall occur which Agent, in its reasonable discretion, shall determine constitutes grounds for the termination by the Pension Benefit Guaranty Corporation of any Plan or for the appointment by the appropriate United States district court of a trustee for any Plan, or if any Plan shall be terminated or any such trustee shall be requested or appointed, or if any Credit Party, any Subsidiary or any Obligor is in "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Multiemployer Plan resulting from such Borrower's, such Subsidiary's or such Obligor's complete or partial withdrawal from such Plan, each of which could reasonably be expected to result in a Material Adverse Effect.

11.1.14. Challenge to Loan Documents. Any Obligor or any of its Affiliates shall challenge or contest in any action, suit or proceeding the validity or enforceability of any of the Loan Documents, the legality or enforceability of any of the Obligations or the perfection or priority of any Lien granted to Agent, or any of the Loan Documents ceases to be in full force or effect for any reason other than a full or partial waiver or release by Agent and Lenders in accordance with the terms thereof.

11.1.15. Judgment. One or more judgments or orders for the payment of money in an amount that exceeds, individually or in the aggregate, \$500,000 shall be entered against any Credit Party or any other Obligor and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

11.1.16. Repudiation of or Default Under Guaranty. Any Guarantor shall revoke or attempt to revoke the Guaranty signed by such Guarantor, shall repudiate such Guarantor's liability thereunder, or shall be in default under the terms thereof, or shall fail to confirm in writing, promptly, after receipt of Agent's written request therefor, such Guarantor's ongoing liability under the Guaranty in accordance with the terms thereof.

11.1.17. Criminal Forfeiture. Any Obligor shall be convicted under any criminal law that could lead to a forfeiture of any Property of such Obligor.

11.1.18. Default Under or Modification of Tranche B Documentation or any Subordinated Debt Documentation. (i) There shall occur any default or event of default (and such event or condition is not cured within the applicable grace period, if any), however denominated, under the Tranche B

Documentation or under any documentation relating to or executed in connection with any Subordinated Debt if the payment or maturity of the Tranche B Loan or such Subordinated Debt, respectively, may be accelerated in consequence of such event of default or demand for payment of the Tranche B Loan or such subordinated Debt, respectively, may be made; or (ii) there shall occur any modification to the Tranche B Documentation if the effect of such modification is to (a) shorten the due dates of any principal or interest payments on the Tranche B Loan, (b) change the prepayment provisions as to the Tranche B Loan, other than to extend the date thereof, (c) change any default or event of default, or add any covenant more restrictive than the covenants in this Agreement, with respect to the Tranche B Loan, (d) increase the interest rate on the Tranche B Loan, (e) increase the maximum principal amount of the Tranche B Loan (other than any increase caused by the capitalization of interest in accordance with the Tranche B Documentation), (f) change or amend any other term if such change or amendment would result in a Default under this Agreement, increase the obligations of any Credit Party in a manner adverse in any material respect to such Credit Party or Agent or any Lender or confer additional material rights on Tranche B Agent or any Tranche B Lender in a manner adverse in any material respect to any Credit Party or Agent or any Lender or (iii) there shall occur any modification to the documentation relating to or executed in connection with any Subordinated Debt unless such modification is permitted pursuant to the provisions of the subordination agreement relating to such Subordinated Debt.

11.1.19. **Default under Surety Agreements.** There shall occur any default or event of default under any of the Chubb Agreements (or, as to any other Surety, under the documentation among such Surety and Credit Parties relating to such Surety's bonding program with some or all of the Credit Parties) and, as a result thereof, Chubb (or such other Surety) has ceased issuing Surety Bonds on behalf of any Credit Party, or has made demand on any Credit Party for performance thereunder or has otherwise commenced exercising any remedies thereunder (including, without limitation, attempting to segregate funds as to its Surety Collateral), or any unreimbursed claim is made on Chubb (or such other Surety) related to any Bonded Contract against the issuer of any Surety Bond.

11.2. **Acceleration of the Obligations; Termination of Commitments.** Without in any way limiting the right of Agent to demand payment of any portion of the Obligations payable on demand in accordance with this Agreement:

11.2.1. Upon or at any time after the occurrence of an Event of Default (other than pursuant to **Section 11.1.10** hereof) and for so long as such Event of Default shall exist, Agent may, in its discretion (and, upon receipt of written instructions to do so from the Required Lenders, shall) (a) declare the principal of and any accrued interest on the Loans and all other Obligations owing under any of the Loan Documents to be, whereupon the same shall become without further notice or demand (all of which notice and demand each Credit Party expressly waives), forthwith due and payable and Credit Parties shall forthwith pay to Agent the entire principal of and accrued and unpaid interest on the Loans and other Obligations plus reasonable attorneys' fees and expenses if such principal and interest are collected by or through an attorney-at-law and (b) terminate the Commitments.

11.2.2. Upon the occurrence of an Event of Default specified in **Section 11.1.10** hereof, all of the Obligations shall become automatically due and payable without declaration, notice or demand by Agent to or upon any Credit Party and the Commitments shall automatically terminate as if terminated by Agent pursuant to **Section 5.2.1** hereof and with the effects specified in **Section 5.2.4** hereof provided, however, that, if Agent or Lenders shall continue to make Loans or otherwise extend credit to Borrowers pursuant to this Agreement after an automatic termination of the Commitments by reason of the commencement of an Insolvency Proceeding by or against Borrowers, such Loans and other credit shall nevertheless be governed by this Agreement and enforceable against and recoverable from each Obligor as if such Insolvency Proceeding had never been instituted.

11.3. Other Remedies. Upon and after the occurrence of an Event of Default and for so long as such Event of Default shall exist, Agent may in its discretion (and, upon receipt of written direction of the Required Lenders, shall) exercise from time to time the following rights and remedies (without prejudice to the rights of Agent or any Lender to enforce its claim against any or all Obligors):

11.3.1. All of the rights and remedies of a secured party under the UCC or under other Applicable Law, and all other legal and equitable rights to which Agent may be entitled under any of the Loan Documents, all of which rights and remedies shall be cumulative and shall be in addition to any other rights or remedies contained in this Agreement or any of the other Loan Documents, and none of which shall be exclusive.

11.3.2. The right to collect all amounts at any time payable to a Credit Party from any Account Debtor or other Person at any time indebted to such Credit Party.

11.3.3. The right to take immediate possession of any of the Collateral, and to (i) require Credit Parties to assemble the Collateral, at Borrowers' expense, and make it available to Agent at a place designated by Agent which is reasonably convenient to both parties, and (ii) enter any premises where any of the Collateral shall be located and to keep and store the Collateral on said premises until sold (and if said premises be the Property of a Credit Party, then such Credit Party agrees not to charge Agent for storage thereof).

11.3.4. The right to sell or otherwise dispose of all or any Collateral in its then condition, or after any further manufacturing or processing thereof, at public or private sale or sales, with such notice as may be required by Applicable Law, in lots or in bulk, for cash or on credit, all as Agent, in its sole discretion, may deem advisable. Each Credit Party agrees that any requirement of notice to Credit Parties or any other Obligor of any proposed public or private sale or other disposition of Collateral by Agent shall be deemed reasonable notice thereof if given at least 10 days prior thereto, and such sale may be at such locations as Agent may designate in said notice. Agent shall have the right to conduct such sales on any Credit Party's or any other Obligor's premises, without charge therefor, and such sales may be adjourned from time to time in accordance with Applicable Law. Agent shall have the right to sell, lease or otherwise dispose of the Collateral, or any part thereof, for cash, credit or any combination thereof, and Agent may purchase all or any part of the Collateral at public or, if permitted by law, private sale and, in lieu of actual payment of such purchase price, may set off the amount of such price against the Obligations. The proceeds realized from the sale or other disposition of any Collateral may be applied, after allowing 2 Business Days for collection, first to any Extraordinary Expenses incurred by Agent, second to interest accrued with respect to any of the Obligations; and third, to the principal balance of the Obligations. If any deficiency shall arise, Obligors shall remain jointly and severally liable to Agent and Lenders therefor.

11.3.5. The right to the appointment of a receiver, without notice of any kind whatsoever, to take possession of all or any portion of the Collateral and to exercise such rights and powers as the court appointing such receiver shall confer upon such receiver.

11.3.6. The right to exercise all of Agent's rights and remedies under the Mortgage with respect to any Real Estate.

11.3.7. The right to require Borrowers to deposit with Agent funds equal to the LC Outstandings and, if Borrowers fail promptly to make such deposit, Agent may (and shall upon the direction of the Required Lenders) advance such amount as a Revolver Loan (whether or not an Out-of-Formula Condition exists or is created thereby). Any such deposit or advance shall be held by Agent as a reserve to fund future payments on any Credit Support and the Letters of Credits. At such time as the

Credit Support has been paid or terminated and all Letters of Credit have been drawn upon or expired, any amounts remaining in such reserve shall be applied against any outstanding Obligations, or, if all Obligations have been indefeasibly paid in full, returned to Borrowers.

Agent is hereby irrevocably granted a license or other right to use, without charge, any and all of each Credit Party's Intellectual Property and all of each Credit Party's computer hardware and software, trade secrets, brochures, customer lists, promotional and advertising materials, labels, and packaging materials, and any Property of a similar nature, in advertising for sale, marketing, selling and collecting and in completing the manufacturing of any Collateral, and each Credit Party's rights under all licenses and all franchise agreements shall inure to Agent's benefit.

11.4. Setoff. In addition to any Liens granted under any of the Loan Documents and any rights now or hereafter available under Applicable Law, Agent and each Lender (and each of their respective Affiliates) is hereby authorized by Credit Parties at any time, without notice to Credit Parties or any other Person (any such notice being hereby expressly waived) to set off and to appropriate and to apply any and all deposits, general or special (including Debt evidenced by certificates of deposit whether matured or unmatured) and any other Debt at any time held or owing by Agent, such Lender or any of their Affiliates to or for the credit or the account of any Credit Party against and on account of the Obligations of Credit Parties arising under the Loan Documents to Agent, such Lender or any of their Affiliates, including all Loans and LC Outstandings and all claims of any nature or description arising out of or in connection with this Agreement, irrespective of whether or not (i) Agent or such Lender shall have made any demand hereunder, (ii) Agent, at the request or with the consent of the Required Lenders shall have declared the principal of and interest on the Loans and other amounts due hereunder to be due and payable as permitted by this Agreement and even though such Obligations may be contingent or unmatured or (iii) the Collateral for the Obligations is adequate. If any party (or its Affiliate) exercises the right of setoff provided for hereunder, such party shall be obligated to share any such setoff in the manner and to the extent required by **Section 12.5**.

11.5. Remedies Cumulative; No Waiver.

11.5.1. All covenants, conditions, provisions, warranties, guaranties, indemnities, and other undertakings of Credit Parties contained in this Agreement and the other Loan Documents, or in any document referred to herein or contained in any agreement supplementary hereto or in any schedule or in any Guaranty given to Agent or any Lender or contained in any other agreement between Agent or any Lender and any or all Credit Parties, heretofore, concurrently, or hereafter entered into, shall be deemed cumulative to and not in derogation or substitution of any of the terms, covenants, conditions, or agreements of Credit Parties herein contained. The rights and remedies of Agent and Lenders under this Agreement and the other Loan Documents shall be cumulative and not exclusive of any rights or remedies that Agent or any Lender would otherwise have.

11.5.2. The failure or delay of Agent or any Lender to require strict performance by Credit Parties of any provision of any of the Loan Documents or to exercise or enforce any rights, Liens, powers, or remedies under any of the Loan Documents or with respect to any Collateral shall not operate as a waiver of such performance, Liens, rights, powers and remedies, but all such requirements, Liens, rights, powers, and remedies shall continue in full force and effect until all Loans and all other Obligations owing or to become owing from Credit Parties to Agent and Lenders shall have been finally and indefeasibly paid in full in cash and all Commitments of Agent and Lenders under this Agreement and the other Loan Documents are terminated (including, in the case of Letters of Credit, terminated or otherwise discharged or indemnified against in such manner and to such extent as is satisfactory to Agent in the good faith exercise of its credit judgment.) None of the undertakings, agreements, warranties, covenants and representations of Credit Parties contained in this Agreement or any of the other Loan

Documents and no Event of Default by any Credit Party under this Agreement or any other Loan Documents shall be deemed to have been suspended or waived by Agent or any Lender, unless such suspension or waiver is by an instrument in writing specifying such suspension or waiver and is signed by a duly authorized representative of Agent or such Lender and directed to Credit Parties.

11.5.3. If Agent or any Lender shall accept performance by a Borrower, in whole or in part, of any obligation that a Credit Party is required by any of the Loan Documents to perform only when a Default or Event of Default exists, or if Agent or any Lender shall exercise any right or remedy under any of the Loan Documents that may not be exercised other than when a Default or Event of Default exists, Agent's or Lender's acceptance of such performance by a Credit Party or Agent's or Lender's exercise of any such right or remedy shall not operate to waive any such Event of Default or to preclude the exercise by Agent or any Lender of any other right or remedy, unless otherwise expressly agreed in writing by Agent or such Lender, as the case may be.

SECTION 12. AGENT

12.1. Appointment, Authority and Duties of Agent.

12.1.1. Each Lender hereby irrevocably appoints and designates Agent as Agent to act as herein specified. Agent may, and each Lender by its acceptance of a Note shall be deemed irrevocably to have authorized Agent to, enter into all Loan Documents to which Agent is or is intended to be a party and all amendments hereto and all Security Documents at any time executed by any Borrower, for its benefit and the Pro Rata benefit of Lenders and, except as otherwise provided in this **Section 12**, to exercise such rights and powers under this Agreement and the other Loan Documents as are specifically delegated to Agent by the terms hereof and thereof, together with such other rights and powers as are reasonably incidental thereto. Each Lender agrees that any action taken by Agent or the Required Lenders in accordance with the provisions of this Agreement or the other Loan Documents, and the exercise by Agent or the Required Lenders of any of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all Lenders. Without limiting the generality of the foregoing, Agent shall have the sole and exclusive right and authority to (a) act as the disbursing and collecting agent for Lenders with respect to all payments and collections arising in connection with this Agreement and the other Loan Documents; (b) execute and deliver as Agent each Loan Document and accept delivery of each such agreement delivered by any or all Borrowers or any other Obligor; (c) act as collateral agent for Lenders for purposes of the perfection of all security interests and Liens created by this Agreement or the Security Documents with respect to all material items of the Collateral and, subject to the direction of the Required Lenders, for all other purposes stated therein, provided that Agent hereby appoints, authorizes and directs each Lender to act as a collateral sub-agent for Agent and the other Lenders for purposes of the perfection of all security interests and Liens with respect to a Credit Party's Deposit Accounts maintained with, and all cash and Cash Equivalents held by, such Lender; (d) subject to the direction of the Required Lenders, manage, supervise or otherwise deal with the Collateral; and (e) except as may be otherwise specifically restricted by the terms of this Agreement and subject to the direction of the Required Lenders, exercise all remedies given to Agent with respect to any of the Collateral under the Loan Documents relating thereto, Applicable Law or otherwise. The duties of Agent shall be ministerial and administrative in nature, and Agent shall not have by reason of this Agreement or any other Loan Document a fiduciary relationship with any Lender (or any Lender's participants). Unless and until its authority to do so is revoked in writing by Required Lenders, Agent alone shall be authorized to determine whether any Accounts or Inventory constitute Eligible Accounts or Eligible Inventory (basing such determination in each case upon the meanings given to such terms in Appendix A), or whether to impose or release any reserve, and to exercise its own credit judgment in connection therewith, which determinations and judgments, if

exercised in good faith, shall exonerate Agent from any liability to Lenders or any other Person for any errors in judgment.

12.1.2. Agent (which term, as used in this sentence, shall include reference to Agent's officers, directors, employees, attorneys, agents and Affiliates and to the officers, directors, employees, attorneys and agents of Agent's Affiliates) shall not: (a) have any duties or responsibilities except those expressly set forth in this Agreement and the other Loan Documents or (b) be required to take, initiate or conduct any litigation, foreclosure or collection proceedings hereunder or under any of the other Loan Documents except to the extent directed to do so by the Required Lenders during the continuance of any Event of Default. The conferral upon Agent of any right hereunder shall not imply a duty on Agent's part to exercise any such right unless instructed to do so by the Required Lenders in accordance with this Agreement.

12.1.3. Agent may perform any of its duties by or through its agents and employees and may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Credit Parties shall promptly (and in any event, **on demand**) reimburse Agent for all reasonable expenses (including all Extraordinary Expenses) incurred by Agent pursuant to any of the provisions hereof or of any of the other Loan Documents or in the execution of any of Agent's duties hereby or thereby created or in the exercise of any right or power herein or therein imposed or conferred upon it or Lenders (excluding, however, general overhead expenses), and each Lender agrees promptly to pay to Agent, **on demand**, such Lender's Pro Rata share of any such reimbursement for expenses (including Extraordinary Expenses) that is not timely made by Credit Parties to Agent.

12.1.4. The rights, remedies, powers and privileges conferred upon Agent hereunder and under the other Loan Documents may be exercised by Agent without the necessity of the joinder of any other parties unless otherwise required by Applicable Law. If Agent shall request instructions from the Required Lenders with respect to any act or action (including the failure to act) in connection with this Agreement or any of the other Loan Documents, Agent shall be entitled to refrain from such act or taking such action unless and until Agent shall have received instructions from the Required Lenders; and Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting hereunder or under any of the Loan Documents pursuant to or in accordance with the instructions of the Required Lenders except for Agent's own gross negligence or willful misconduct in connection with any action taken by it. Notwithstanding anything to the contrary contained in this Agreement, Agent shall not be required to take any action that is in its opinion contrary to Applicable Law or the terms of any of the Loan Documents or that would in its opinion subject it or any of its officers, employees or directors to personal liability; provided, however, that if Agent shall fail or refuse to take action that is not contrary to Applicable Law or to any of the terms of any of the Loan Documents even if such action in Agent's opinion would subject it to potential liability, the Required Lenders may remove Agent and appoint a successor Agent in the same manner and with the same effect as is provided in this Agreement with respect to Agent's resignation.

12.1.5. Agent shall promptly, upon receipt thereof, forward to each Lender (i) copies of any significant written notices, reports, certificates and other information received by Agent from any Obligor (but only if and to the extent such Obligor is not required by the terms of the Loan Documents to supply such information directly to Lenders) and (ii) copies of the results of any field audits by Agent with respect to Borrowers. Agent shall have no liability to any Lender for any errors in or omissions from any field audit or other examination of any Credit Party or the Collateral, unless such error or omission was the direct result of Agent's willful misconduct.

12.1.6. Each Lender hereby consents to the terms and provisions of the Intercreditor Agreement and hereby authorizes Agent, on behalf of Lenders, to execute, deliver and perform under the Intercreditor Agreement.

12.2. Agreements Regarding Collateral. Lenders hereby irrevocably authorize Agent, at its option and in its discretion, to release any Lien upon any Collateral (i) upon the termination of the Commitments and payment or satisfaction of all of the Obligations or (ii) constituting Equipment sold or disposed of in accordance with the terms of this Agreement if Borrowers certify to Agent that the disposition is made in compliance with the terms of this Agreement (and Agent may rely conclusively on any such certificate, without further inquiry) or (iii) if approved or ratified by the Required Lenders. Agent shall have no obligation whatsoever to any of the Lenders to assure that any of the Collateral exists or is owned by a Credit Party or is cared for, protected or insured or has been encumbered, or that Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected or enforced or entitled to any particular priority or to exercise any duty of care with respect to any of the Collateral.

12.3. Reliance By Agent. Agent shall be entitled to rely, and shall be fully protected in so relying, upon any certification, notice or other communication (including any thereof by telephone, telex, telegram, teletypewriter message or cable) believed by it to be genuine and correct and to have been signed, sent or made by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Agent. As to any matters not expressly provided for by this Agreement or any of the other Loan Documents, Agent shall in all cases be fully protected in acting or refraining from acting hereunder and thereunder in accordance with the instructions of the Required Lenders, and such instructions of the Required Lenders and any action taken or failure to act pursuant thereto shall be binding upon Lenders.

12.4. Action Upon Default. Agent shall not be deemed to have knowledge of the occurrence of a Default or an Event of Default unless it has received written notice from a Lender or any or all Borrowers specifying the occurrence and nature of such Default or Event of Default. If Agent shall receive such a notice of a Default or an Event of Default or shall otherwise acquire actual knowledge of any Default or Event of Default, Agent shall promptly notify Lenders in writing and Agent shall take such action and assert such rights under this Agreement and the other Loan Documents, or shall refrain from taking such action and asserting such rights, as the Required Lenders shall direct from time to time. If any Lender shall receive a notice of a Default or an Event of Default or shall otherwise acquire actual knowledge of any Default or Event of Default, such Lender shall promptly notify Agent and the other Lenders in writing. As provided in **Section 12.3** hereof, Agent shall not be subject to any liability by reason of acting or refraining to act pursuant to any request of the Required Lenders except for its own willful misconduct or gross negligence in connection with any action taken by it. Before directing Agent to take or refrain from taking any action or asserting any rights or remedies under this Agreement and the other Loan Documents on account of any Event of Default, the Required Lenders shall consult with and seek the advice of (but without having to obtain the consent of) each other Lender, and promptly after directing Agent to take or refrain from taking any such action or asserting any such rights, the Required Lenders will so advise each other Lender of the action taken or refrained from being taken and, upon request of any Lender, will supply information concerning actions taken or not taken. In no event shall the Required Lenders, without the prior written consent of each Lender, direct Agent to accelerate and demand payment of the Loans held by one Lender without accelerating and demanding payment of all other Loans or to terminate the Commitments of one or more Lenders without terminating the Commitments of all Lenders. Each Lender agrees that, except as otherwise provided in any of the Loan Documents and without the prior written consent of the Required Lenders, it will not take any legal action or institute any action or proceeding against any Obligor with respect to any of the Obligations or Collateral, or accelerate or otherwise enforce its portion of the Obligations. Without limiting the generality of the foregoing, none of Lenders may exercise any right that it might otherwise have under

Applicable Law to credit bid at foreclosure sales, UCC sales or other similar sales or dispositions of any of the Collateral except as authorized by the Required Lenders. Notwithstanding anything to the contrary set forth in this **Section 12.4** or elsewhere in this Agreement, each Lender shall be authorized to take such action to preserve or enforce its rights against any Obligor where a deadline or limitation period is otherwise applicable and would, absent the taking of specified action, bar the enforcement of Obligations held by such Lender against such Obligor, including the filing of proofs of claim in any Insolvency Proceeding.

12.5. Ratable Sharing. If any Lender shall obtain any payment or reduction (including any amounts received as adequate protection of a bank account deposit treated as cash collateral under the Bankruptcy Code) of any Obligation of Credit Parties hereunder (whether voluntary, involuntary, through the exercise of any right of set-off or otherwise) in excess of its Pro Rata share of payments or reductions on account of such Obligations obtained by all of the Lenders, such Lender shall forthwith (i) notify the other Lenders and Agent of such receipt and (ii) purchase from the other Lenders such participations in the affected Obligations as shall be necessary to cause such purchasing Lender to share the excess payment or reduction, net of costs incurred in connection therewith, on a Pro Rata basis, provided that if all or any portion of such excess payment or reduction is thereafter recovered from such purchasing Lender or additional costs are incurred, the purchase shall be rescinded and the purchase price restored to the extent of such recovery or such additional costs, but without interest. Each Credit Party agrees that any Lender so purchasing a participation from another Lender pursuant to this **Section 12.5** may, to the fullest extent permitted by Applicable Law, exercise all of its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of Credit Parties in the amount of such participation.

12.6. Indemnification of Agent.

12.6.1. Each Lender agrees to indemnify and defend the Agent Indemnitees (to the extent not reimbursed by Credit Parties under this Agreement, but without limiting the indemnification obligation of Credit Parties under this Agreement), on a Pro Rata basis, and to hold each of the Agent Indemnitees harmless from and against, any and all Claims which may be imposed on, incurred by or asserted against any of the Agent Indemnitees in any way related to or arising out of this Agreement or any of the other Loan Documents or any other document contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (including the costs and expenses which Credit Parties are obligated to pay under **Section 14.2** hereof or amounts Agent may be called upon to pay in connection with any lockbox or Dominion Account arrangement contemplated hereby) or the enforcement of any of the terms hereof or thereof or of any such other documents, provided that no Lender shall be liable to any Agent Indemnitee for any of the foregoing to the extent that they result solely from the willful misconduct or gross negligence of such Agent Indemnitee.

12.6.2. Without limiting the generality of the foregoing provisions of this **Section 12.6**, if Agent should be sued by any receiver, trustee in bankruptcy, debtor-in-possession or other Person on account of any alleged preference or fraudulent transfer received or alleged to have been received from any Credit Party or any other Obligor as the result of any transaction under the Loan Documents, then in such event any monies paid by Agent in settlement or satisfaction of such suit, together with all Extraordinary Expenses incurred by Agent in the defense of same, shall be promptly reimbursed to Agent by Lenders to the extent of each Lender's Pro Rata share.

12.6.3. Without limiting the generality of the foregoing provisions of this **Section 12.6**, if at any time (whether prior to or after the Commitment Termination Date) any action or proceeding shall be brought against any of the Agent Indemnitees by an Obligor or by any other Person claiming by, through or under an Obligor, to recover damages for any act taken or omitted by Agent under any of the

Loan Documents or in the performance of any rights, powers or remedies of Agent against any Obligor, any Account Debtor, the Collateral or with respect to any Loans, or to obtain any other relief of any kind on account of any transaction involving any Agent Indemnitees under or in relation to any of the Loan Documents, each Lender agrees to indemnify, defend and hold the Agent Indemnitees harmless with respect thereto and to pay to the Agent Indemnitees such Lender's Pro Rata share of such amount as any of the Agent Indemnitees shall be required to pay by reason of a judgment, decree, or other order entered in such action or proceeding or by reason of any compromise or settlement agreed to by the Agent Indemnitees, including all interest and costs assessed against any of the Agent Indemnitees in defending or compromising such action, together with attorneys' fees and other legal expenses paid or incurred by the Agent Indemnitees in connection therewith; provided, however, that no Lender shall be liable to any Agent Indemnitee for any of the foregoing to the extent that they arise solely from the willful misconduct or gross negligence of such Agent Indemnitee. In Agent's discretion, Agent may also reserve for or satisfy any such judgment, decree or order from proceeds of Collateral prior to any distributions therefrom to or for the account of Lenders.

12.7. Limitation on Responsibilities of Agent. Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall have received further assurances to its satisfaction from Lenders of their indemnification obligations under **Section 12.6** hereof against any and all Claims which may be incurred by Agent by reason of taking or continuing to take any such action. Agent shall not be liable to Lenders (or any Lender's participants) for any action taken or omitted to be taken under or in connection with this Agreement or the other Loan Documents except as a result of actual gross negligence or willful misconduct on the part of Agent. Agent does not assume any responsibility for any failure or delay in performance or breach by any Obligor or any Lender of its obligations under this Agreement or any of the other Loan Documents. Agent does not make to Lenders, and no Lender makes to Agent or the other Lenders, any express or implied warranty, representation or guarantee with respect to the Loans, the Collateral, the Loan Documents or any Obligor. Neither Agent nor any of its officers, directors, agents, attorneys or employees shall be responsible to Lenders, and no Lender nor any of its officers, directors, employees, attorneys or agents shall be responsible to Agent or the other Lenders, for: (i) any recitals, statements, information, representations or warranties contained in any of the Loan Documents or in any certificate or other document furnished pursuant to the terms hereof; (ii) the execution, validity, genuineness, effectiveness or enforceability of, any of the Loan Documents; (iii) the validity, genuineness, enforceability, collectibility, value, sufficiency or existence of any Collateral, or the perfection or priority of any Lien therein; or (iv) the assets, liabilities, financial condition, results of operations, business, creditworthiness or legal status of any Obligor or any Account Debtor. Neither Agent nor any of its officers, directors, employees, attorneys or agents shall have any obligation to any Lender to ascertain or inquire into the existence of any Default or Event of Default, the observance or performance by any Obligor of any of the duties or agreements of such Obligor under any of the Loan Documents or the satisfaction of any conditions precedent contained in any of the Loan Documents. Agent may consult with and employ legal counsel, accountants and other experts and shall be entitled to act upon, and shall be fully protected in any action taken in good faith reliance upon, any advice given by such experts.

12.8. Successor Agent and Co-Agents.

12.8.1. Subject to the appointment and acceptance of a successor Agent as provided below, Agent may resign at any time by giving at least 30 days written notice thereof to each Lender and Borrowers. Upon receipt of any notice of such resignation, the Required Lenders, after prior consultation with (but without having to obtain consent of) each Lender, shall have the right to appoint a successor Agent which shall be (i) a Lender, (ii) a United States based affiliate of a Lender or (iii) a commercial bank that is organized under the laws of the United States or of any State thereof and has a combined capital surplus of at least \$100,000,000 and, provided no Default or Event of Default then exists, is

reasonably acceptable to Borrowers (and for purposes hereof, any successor to Agent shall be deemed acceptable to Borrowers). Upon the acceptance by a successor Agent of an appointment to serve as an Agent hereunder, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent without further act, deed or conveyance, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this **Section 12** (including the provisions of **Section 12.6** hereof) shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent. Notwithstanding anything to the contrary contained in this Agreement, any successor by merger or acquisition of the stock or assets of Agent shall continue to be Agent hereunder unless such successor shall resign in accordance with the provisions hereof.

12.8.2. It is the purpose of this Agreement that there shall be no violation of any Applicable Law denying or restricting the right of financial institutions to transact business as agent or otherwise in any jurisdiction. It is recognized that, in case of litigation under any of the Loan Documents, or in case Agent deems that by reason of present or future laws of any jurisdiction Agent might be prohibited from exercising any of the powers, rights or remedies granted to Agent or Lenders hereunder or under any of the Loan Documents or from holding title to or a Lien upon any Collateral or from taking any other action which may be necessary hereunder or under any of the Loan Documents, Agent may appoint an additional Person as a separate collateral agent or co-collateral agent which is not so prohibited from taking any of such actions or exercising any of such powers, rights or remedies. If Agent shall appoint an additional Person as a separate collateral agent or co-collateral agent as provided above, each and every remedy, power, right, claim, demand or cause of action intended by any of the Loan Documents to be exercised by or vested in or conveyed to Agent with respect thereto shall be exercisable by and vested in such separate collateral agent or co-collateral agent, but only to the extent necessary to enable such separate collateral agent or co-collateral agent to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate collateral agent or co-collateral agent shall run to and be enforceable by either of them. Should any instrument from Lenders be required by the separate collateral agent or co-collateral agent so appointed by Agent in order more fully and certainly to vest in and confirm to him or it such rights, powers, duties and obligations, any and all of such instruments shall, on request, be executed, acknowledged and delivered by Lenders whether or not a Default or Event of Default then exists. In case any separate collateral agent or co-collateral agent, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, duties and obligations of such separate collateral agent or co-collateral agent, so far as permitted by Applicable Law, shall vest in and be exercised by the Agent until the appointment of a new collateral agent or successor to such separate collateral agent or co-collateral agent.

12.9. Consents, Amendments and Waivers ; Out-of-Formula Loans.

12.9.1. No amendment or modification of any provision of this Agreement shall be effective without the prior written agreement of the Required Lenders and Borrowers, and no waiver of any Default or Event of Default shall be effective without the prior written consent of the Required Lenders; provided, however, that, (i) without the prior written consent of Agent no amendment or waiver shall be effective with respect to any provision of any of the Loan Documents (including this **Section 12**) to the extent such provision relates to the rights, remedies, duties or immunities of Agent; (ii) without the prior written consent of Agent, no amendment to the provisions of **Sections 1.2 or 3.1.3** shall be effective; (iii) without the prior written consent of all Lenders, no waiver of any Default or Event of Default shall be effective if the Default or Event of Default relates to Borrowers' failure to observe or perform any covenant that may not be amended without the unanimous written consent of Lenders (and, where so provided hereinafter, the written consent of Agent) as hereinafter set forth in this **Section 12.9.1**; and (iv) the written agreement of all Lenders (except a defaulting Lender as provided in **Section 3.2** of this Agreement) shall be required to effectuate any amendment, modification or waiver that would (a) alter the

provisions of Sections 2.2, 2.4, 2.6, 2.7, 2.8, 2.9, 4.6, 4.7, 4.9, 4.10, 5.1, 12, 13, 14.2 or 14.3, (b) amend the definitions of “Pro Rata,” “Required Lenders,” “Availability Reserve,” “Borrowing Base” (and the other defined terms used in such definitions) or if the effect would be to increase the amount of Availability, any provision of this Agreement obligating Agent to take certain actions at the direction of the Required Lenders, or any provision of any of the Loan Documents regarding the Pro Rata treatment or obligations of Lenders, (c) increase or otherwise modify any of the Commitments (other than to reduce proportionately each Lender’s Commitment in connection with any overall reduction in the amount of the Commitments), (d) alter or amend (other than to increase) the rate of interest payable in respect of the Loans (except as may be expressly authorized by the Loan Documents or as may be necessary, in Agent’s judgment, to comply with Applicable Law), (e) waive or agree to defer collection of any fee, termination charge or other charge provided for under any of the Loan Documents (except to the extent that the Required Lenders agree after and during the continuance of any Event of Default to a waiver or deferral of any termination charge provided for in Section 5.2.3 hereof) or the unused line fee in Section 2.2.3 hereof, (f) subordinate the payment of any of the Obligations to any other Debt or the priority of any Liens granted to Agent under any of the Loan Documents to Liens granted to any other Person, except as currently provided in or contemplated by the Loan Documents in connection with Credit Parties’ incurrence of Permitted Purchase Money Debt, and except for Liens granted by an Obligor to financial institutions with respect to amounts on deposit with such financial institutions to cover returned items, processing and analysis charges and other charges in the Ordinary Course of Business that relate to deposit accounts with such financial institutions, (g) alter the time or amount of repayment of any of the Loans or waive any Event of Default resulting from nonpayment of the Loans on the due date thereof (or within any applicable period of grace), (h) forgive any of the Obligations, except any portion of the Obligations held by a Lender who consents in writing to such forgiveness, or (i) release any Obligor from liability for any of the Obligations. No Lender shall be authorized to amend or modify any Note held by it, unless such amendment or modification is consented to in writing by all Lenders; provided, however, that the foregoing shall not be construed to prohibit an amendment or modification to any provision of this Agreement that may be effected pursuant to this Section 12.9.1 by agreement of Borrowers and the Required Lenders even though such an amendment or modification results in an amendment or modification of the Notes by virtue of the incorporation by reference in each of the Notes of this Agreement. The making of any Loans hereunder by any Lender during the existence of a Default or Event of Default shall not be deemed to constitute a waiver of such Default or Event of Default. Any waiver or consent granted by Lenders hereunder shall be effective only if in writing and then only in the specific instance and for the specific purpose for which it was given.

12.9.2. In connection with any proposed amendment to any of the Loan Documents or waiver of any of the terms thereof or any Default or Event of Default thereunder, no Borrower shall solicit, request or negotiate for or with respect to any such proposed amendment or waiver of any of the provisions of this Agreement or any of the other Loan Documents unless each Lender shall be informed thereof by Borrowers or Agent (to the extent known by Agent) and shall be afforded an opportunity of considering the same and supplied by Borrowers with sufficient information to enable it to make an informed decision with respect thereto. No Borrower will, directly or indirectly, pay or cause to be paid any remuneration or other thing of value, whether by way of supplemental or additional interest, fee or otherwise, to any Lender (in its capacity as a Lender hereunder) as consideration for or as an inducement to the consent to or agreement by such Lender with any waiver or amendment of any of the terms and provisions of this Agreement or any of the other Loan Documents unless such remuneration or thing of value is concurrently paid, on the same terms, on a Pro Rata basis to all Lenders.

12.9.3. Unless otherwise directed in writing by the Required Lenders, Agent may require Lenders to honor requests by Borrowers for Out-of-Formula Loans (in which event, and notwithstanding anything to the contrary set forth in Section 1.1.1 or elsewhere in this Agreement, Lenders shall continue to make Revolver Loans up to their Pro Rata share of the Commitments) and to forbear from requiring

Borrowers to cure an Out-of-Formula Condition, (1) when no Event of Default exists (or if an Event of Default exists, when the existence of such Event of Default is not known by Agent), if and for so long as (i) such Out-of-Formula Condition does not continue for a period of more than 15 consecutive days, following which no Out-of-Formula Condition exists for at least 15 consecutive days before another Out-of-Formula Condition exists, (ii) the amount of the Revolver Loans outstanding at any time does not exceed the aggregate of the Commitments at such time, and (iii) the Out-of-Formula Condition is not known by Agent at the time in question to exceed \$2,000,000; and (2) regardless of whether or not an Event of Default exists, if Agent discovers the existence of an Out-of-Formula Condition not previously known by it to exist, but Lenders shall be obligated to continue making such Revolver Loans as directed by Agent only (A) if the amount of the Out-of-Formula Condition is not increased by more than \$1,000,000 above the amount determined by Agent to exist on the date of discovery thereof and (B) for a period not to exceed 5 Business Days. In no event shall Borrowers or any other Obligor be deemed to be a beneficiary of this **Section 12.9.3** or authorized to enforce any of the provisions of this **Section 12.9.3**.

12.10. Due Diligence and Non-Reliance. Each Lender hereby acknowledges and represents that it has, independently and without reliance upon Agent or the other Lenders, and based upon such documents, information and analyses as it has deemed appropriate, made its own credit analysis of each Obligor and its own decision to enter into this Agreement and to fund the Loans to be made by it hereunder and to purchase participations in the LC Outstandings pursuant to **Section 1.3.2** hereof, and each Lender has made such inquiries concerning the Loan Documents, the Collateral and each Obligor as such Lender feels necessary and appropriate, and has taken such care on its own behalf as would have been the case had it entered into the other Loan Documents without the intervention or participation of the other Lenders or Agent. Each Lender hereby further acknowledges and represents that the other Lenders and Agent have not made any representations or warranties to it concerning any Obligor, any of the Collateral or the legality, validity, sufficiency or enforceability of any of the Loan Documents. Each Lender also hereby acknowledges that it will, independently and without reliance upon the other Lenders or Agent, and based upon such financial statements, documents and information as it deems appropriate at the time, continue to make and rely upon its own credit decisions in making Loans and in taking or refraining to take any other action under this Agreement or any of the other Loan Documents. Except for notices, reports and other information expressly required to be furnished to Lenders by Agent hereunder, Agent shall not have any duty or responsibility to provide any Lender with any notices, reports or certificates furnished to Agent by any Obligor or any credit or other information concerning the affairs, financial condition, business or Properties of any Obligor (or any of its Affiliates) which may come into possession of Agent or any of Agent's Affiliates.

12.11. Representations and Warranties of Lenders. By its execution of this Agreement, each Lender hereby represents and warrants to each Credit Party and the other Lenders that it has the power to enter into and perform its obligations under this Agreement and the other Loan Documents, and that it has taken all necessary and appropriate action to authorize its execution and performance of this Agreement and the other Loan Documents to which it is a party, each of which will be binding upon it and the obligations imposed upon it herein or therein will be enforceable against it in accordance with the respective terms of such documents.

12.12. The Required Lenders. As to any provisions of this Agreement or the other Loan Documents under which action may or is required to be taken upon direction or approval of the Required Lenders, the direction or approval of the Required Lenders shall be binding upon each Lender to the same extent and with the same effect as if each Lender had joined therein. Notwithstanding anything to the contrary contained in this Agreement, Credit Parties shall not be deemed to be a beneficiary of, or be entitled to enforce, sue upon or assert as a defense to any of the Obligations, any provisions of this Agreement that requires Agent or any Lender to act, or conditions their authority to act, upon the direction or consent of the Required Lenders; and any action taken by Agent or any Lender that requires

the consent or direction of the Required Lenders as a condition to taking such action shall, insofar as Credit Parties are concerned, be presumed to have been taken with the requisite consent or direction of the Required Lenders.

12.13. Several Obligations. The obligations and commitments of each Lender under this Agreement and the other Loan Documents are several and neither Agent nor any Lender shall be responsible for the performance by the other Lenders of its obligations or commitments hereunder or thereunder. Notwithstanding any liability of Lenders stated to be joint and several to third Persons under any of the Loan Documents, such liability shall be shared, as among Lenders, Pro Rata according to the respective Commitments of Lenders.

12.14. Agent in its Individual Capacity. With respect to its obligation to lend under this Agreement, the Loans made by it and each Note issued to it, Agent shall have the same rights and powers hereunder and under the other Loan Documents as any other Lender or holder of a Note and may exercise the same as though it were not performing the duties specified herein; and the terms “Lenders,” “Required Lenders,” or any similar term shall, unless the context clearly otherwise indicates, include Agent in its capacity as a Lender. Agent and its Affiliates may each accept deposits from, maintain deposits or credit balances for, invest in, lend money to, act as trustee under indentures of, serve as financial advisor to, and generally engage in any kind of business with any Credit Party or any other Obligor, or any affiliate of a Credit Party or any other Obligor, as if it were any other bank and without any duty to account therefor (or for any fees or other consideration received in connection therewith) to the other Lenders.

12.15. Third Party Beneficiaries. This Section 12 is not intended to confer any rights or benefits upon any Credit Party or any other Person except Lenders and Agent, and no Person (including any or all Credit Parties) other than Lenders and Agent shall have any right to enforce any of the provisions of this Section 12 except as expressly provided in Section 12.17 hereof. As between Credit Parties and Agent, any action that Agent may take or purport to take on behalf of Lenders under any of the Loan Documents shall be conclusively presumed to have been authorized and approved by Lenders as herein provided.

12.16. Notice of Transfer. Agent may deem and treat a Lender party to this Agreement as the owner of such Lender’s portion of the Revolver Loans for all purposes, unless and until a written notice of the assignment or transfer thereof executed by such Lender has been received by Agent.

12.17. Replacement of Certain Lenders. If a Lender (“Affected Lender”) shall have (i) failed to fund its Pro Rata share of any Revolver Loan requested (or deemed requested) by Borrowers which such Lender is obligated to fund under the terms of this Agreement and which such failure has not been cured, (ii) requested compensation from Borrowers under Section 2.7 to recover increased costs incurred by such Lender (or its parent or holding company) which are not being incurred generally by the other Lenders (or their respective parents or holding companies), or (iii) delivered a notice pursuant to Section 2.6 hereof claiming that such Lender is unable to extend LIBOR Loans to Borrowers for reasons not generally applicable to the other Lenders, then, in any such case and in addition to any other rights and remedies that Agent, any other Lender or any Borrower may have against such Affected Lender, any Borrower or Agent may make written demand on such Affected Lender (with a copy to Agent in the case of a demand by a Borrower and a copy to Borrowers in the case of a demand by Agent) for the Affected Lender to assign, and such Affected Lender shall assign pursuant to one or more duly executed Assignment and Acceptances within 5 Business Days after the date of such demand, to one or more Lenders willing to accept such assignment or assignments, or to one or more Eligible Assignees designated by Agent, all of such Affected Lender’s rights and obligations under this Agreement (including its Commitments and all Loans owing to it) in accordance with Section 13 hereof. Agent is hereby irrevocably authorized to execute one or more Assignment and Acceptances as attorney-in-fact for

any Affected Lender which fails or refuses to execute and deliver the same within 5 Business Days after the date of such demand. The Affected Lender shall be entitled to receive, in cash and concurrently with execution and delivery of each such Assignment and Acceptance, all amounts owed to the Affected Lender hereunder or under any other Loan Document, including the aggregate outstanding principal amount of the Revolver Loans owed to such Lender, together with accrued interest thereon through the date of such assignment. Upon the replacement of any Affected Lender pursuant to this **Section 12.17**, such Affected Lender shall cease to have any participation in, entitlement to, or other right to share in the Liens of Agent in any Collateral and such Affected Lender shall have no further liability to Agent, any Lender or any other Person under any of the Loan Documents (except as provided in **Section 12.6** hereof as to events or transactions which occur prior to the replacement of such Affected Lender), including any commitment to make Loans or purchase participations in LC Outstandings.

12.18. Remittance of Payments and Collections.

12.18.1. All payments by any Lender to Agent shall be made not later than the time set forth elsewhere in this Agreement on the Business Day such payment is due; provided, however, that if such payment is due on demand by Agent and such demand is made on the paying Lender after 12:00 noon on such Business Day, then payment shall be made by 12:00 noon on the next Business Day. Payment by Agent to any Lender shall be made by wire transfer, promptly following Agent's receipt of funds for the account of such Lender and in the type of funds received by Agent; provided, however, that if Agent receives such funds at or prior to 1:00 p.m., Agent shall pay such funds to such Lender by 2:00 p.m. on such Business Day, but if Agent receives such funds after 1:00 p.m., Agent shall pay such funds to such Lender by 2:00 p.m. on the next Business Day.

12.18.2. With respect to the payment of any funds from Agent to a Lender or from a Lender to Agent, the party failing to make full payment when due pursuant to the terms hereof shall, on demand by the other party, pay such amount together with interest thereon at the Federal Funds Rate. In no event shall Borrowers be entitled to receive any credit for any interest paid by Agent to any Lender, or by any Lender to Agent, at the Federal Funds Rate as provided herein.

12.18.3. If Agent pays any amount to a Lender in the belief or expectation that a related payment has been or will be received by Agent from an Obligor and such related payment is not received by Agent, then Agent shall be entitled to recover such amount from each Lender that receives such amount. If Agent determines at any time that any amount received by it under this Agreement or any of the other Loan Documents must be returned to an Obligor or paid to any other Person pursuant to any Applicable Law, court order or otherwise, then, notwithstanding any other term or condition of this Agreement or any of the other Loan Documents, Agent shall not be required to distribute such amount to any Lender.

SECTION 13. BENEFIT OF AGREEMENT; ASSIGNMENTS AND PARTICIPATIONS

13.1. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Credit Parties, Agent and Lenders and their respective successors and assigns (which, in the case of Agent, shall include any successor Agent appointed pursuant to **Section 12.8** hereof), except that (i) no Credit Party shall have the right to assign its rights or delegate performance of any of its obligations under any of the Loan Documents and (ii) any assignment by any Lender must be made in compliance with **Section 13.3** hereof. Agent may treat the payee of any Note as the owner thereof for all purposes hereof unless and until such payee complies with **Section 13.3** in the case of an assignment thereof or, in the case of any other transfer, a written notice of the transfer is filed with Agent. Any assignee or transferee of a Note agrees by acceptance thereof to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or

giving such authority or consent is the holder of a Note, shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

13.2. Participations.

13.2.1. **Permitted Participants; Effect.** Any Lender may, in the ordinary course of its business and in accordance with Applicable Law, at any time sell to one or more banks or other financial institutions (each a "Participant") participating interest in any of the Obligations owing to such Lender, any Commitment of such Lender or any other interest of such Lender under any of the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the holder of any Note for all purposes under the Loan Documents, all amounts payable by Credit Parties under this Agreement and any of the Notes shall be determined as if such Lender had not sold such participating interests, and Credit Parties and Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents. If a Lender sells a participation to a Person other than an Affiliate of such Lender, then such Lender shall give prompt written notice thereof to Borrowers and the other Lenders.

13.2.2. **Voting Rights.** Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than an amendment, modification or waiver with respect to any Loans or Commitment in which such Participant has an interest which forgives principal, interest or fees or reduces the stated interest rate or the stated rates at which fees are payable with respect to any such Loan or Commitment, postpones the Commitment Termination Date, or any date fixed for any regularly scheduled payment of interest or fees on such Revolver Loan or Commitment, or releases from liability any Credit Party or releases any substantial portion of any of the Collateral.

13.2.3. **Benefit of Set-Off.** Each Borrower agrees that each Participant shall be deemed to have the right of set-off provided in **Section 11.4** hereof in respect of its participating interest in amounts owing under the Loan Documents to the same extent and subject to the same requirements under this Agreement (including **Section 12.5**) as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that each Lender shall retain the right of set-off provided in **Section 11.4** hereof with respect to the amount of participating interests sold to each Participant. Lenders agree to share with each Participant, and each Participant by exercising the right of set-off provided in **Section 11.4** agrees to share with each Lender, any amount received pursuant to the exercise of its right of set-off, such amounts to be shared in accordance with **Section 12.5** hereof as if each Participant were a Lender.

13.2.4. **Notices.** Each Lender shall be solely responsible for notifying its Participants of any matters relating to the Loan Documents to the extent that any such notice may be required, and neither Agent nor any other Lender shall have any obligation, duty or liability to any Participant of any other Lender. Without limiting the generality of the foregoing, neither Agent nor any Lender shall have any obligation to give notices or to provide documents or information to a Participant of another Lender.

13.3. Assignments.

13.3.1. **Permitted Assignments.** Subject to its giving at least 2 Business Days notice to Agent and Borrowers, any Lender may, in accordance with Applicable Law, at any time assign to any Eligible Assignee all or any part of its rights and obligations under the Loan Documents, so long as

(i) each assignment is of a constant, and not a varying, ratable percentage of all of the transferor Lender's rights and obligations under the Loan Documents with respect to the Loans and the LC Outstandings and, in the case of a partial assignment, is in a minimum principal amount of \$5,000,000 (unless otherwise agreed by Agent in its sole discretion) and integral multiples of \$1,000,000 in excess of that amount; (ii) except in the case of an assignment in whole of a Lender's rights and obligations under the Loan Documents or an assignment by one original signatory to this Agreement to another such signatory, immediately after giving effect to any assignment, the aggregate amount of the Commitments retained by the transferor Lender shall in no event be less than \$5,000,000 (unless otherwise agreed by Agent in its sole discretion); and (iii) the parties to each such assignment shall execute and deliver to Agent, for its acceptance and recording, an Assignment and Acceptance. The consent of Agent shall be required prior to an assignment becoming effective with respect to an Eligible Assignee that is not a Lender or an Affiliate of a Lender. Nothing contained herein shall limit in any way the right of Lenders to assign (i) to any Eligible Assignee all of their rights and obligations under the Loan Documents or (ii) all or any portion of the Loans owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors and any Operating Circular issued by such Federal Reserve Bank, provided that in the case of this clause (ii) any payment in respect of such assigned Loans made by Borrowers to the assigning Lender in accordance with the terms of this Agreement shall satisfy Borrowers' obligations hereunder in respect of such assigned Loans to the extent of such payment, but no such assignment shall release the assigning Lender from its obligations hereunder.

13.3.2. **Effect; Effective Date.** Upon (i) delivery to Agent of a notice of assignment substantially in the form attached as **Exhibit H** hereto, together with any consents required by **Section 13.3.1**, and (ii) payment of a \$5,000 fee to the Agent for processing any assignment to an Eligible Assignee that is not an Affiliate of the transferor Lender, such assignment shall become effective on the effective date specified in such notice of assignment. On and after the effective date of such assignment, such Eligible Assignee shall for all purposes be a Lender party to the Agreement and any other Loan Document executed by the Lenders and shall have all the rights and obligations of the Lender under the Loan Documents to the same extent as if it were an original party thereto, and no further consent or action by Credit Parties, Lenders or Agent shall be required to release the transferor Lender with respect to the Commitment (or portion thereof) of such Lender and Obligations assigned to such Eligible Assignee. Upon the consummation of any assignment to an Eligible Assignee pursuant to this **Section 13.3.2**, the transferor Lender, Agent and Borrowers shall make appropriate arrangements so that replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Eligible Assignee, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment. If the transferor Lender shall have assigned all of its interests, rights and obligations under this Agreement pursuant to **Section 13.3.1** hereof, such transferor Lender shall no longer have any obligation to indemnify Agent with respect to any transactions, events or occurrences that transpire after the effective date of such assignment, and each Eligible Assignee to which such transferor shall make an assignment shall be responsible to Agent to indemnify Agent in accordance with this Agreement with respect to transactions, events and occurrences transpiring on and after the effective date of such assignment to it.

13.3.3. **Dissemination of Information.** Each Credit Party authorizes each Lender and Agent to disclose to any Participant, any Eligible Assignee or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee"), and any prospective Transferee, any and all information in Agent's or such Lender's possession concerning each Credit Party, the Subsidiaries of each Credit Party or the Collateral, subject to appropriate confidentiality undertakings on the part of such Transferee.

SECTION 14. MISCELLANEOUS

14.1. Power of Attorney. Each Credit Party hereby irrevocably designates, makes, constitutes and appoints Agent (and all Persons designated by Agent) as such Credit Party's true and lawful attorney (and agent-in-fact) and Agent, or Agent's designee, may, without notice to such Credit Party and in either such Credit Party's or Agent's name, but at the cost and expense of Borrowers:

14.1.1. At such time or times as Agent or said designee, in its sole discretion, may determine, endorse such Credit Party's name on any Payment Item or proceeds of the Collateral which come into the possession of Agent or under Agent's control.

14.1.2. At any time that an Event of Default exists: (i) demand payment of the Accounts from the Account Debtors, enforce payment of the Accounts by legal proceedings or otherwise, and generally exercise all of such Credit Party's rights and remedies with respect to the collection of the Accounts; (ii) settle, adjust, compromise, discharge or release any of the Accounts or other Collateral or any legal proceedings brought to collect any of the Accounts or other Collateral; (iii) sell or assign any of the Accounts and other Collateral upon such terms, for such amounts and at such time or times as Agent deems advisable; (iv) take control, in any manner, of any item of payment or proceeds relating to any Collateral; (v) prepare, file and sign such Credit Party's name to a proof of claim in bankruptcy or similar document against any Account Debtor or to any notice of Lien, assignment or satisfaction of Lien or similar document in connection with any of the Collateral; (vi) receive, open and dispose of all mail addressed to such Credit Party and to notify postal authorities to change the address for delivery thereof to such address as Agent may designate; (vii) endorse the name of such Credit Party upon any of the items of payment or proceeds relating to any Collateral and deposit the same to the account of Agent on account of the Obligations; (viii) endorse the name of such Credit Party upon any chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to any Accounts or Inventory of any Obligor and any other Collateral; (ix) use such Credit Party's stationery and sign the name of such Credit Party to verifications of the Accounts and notices thereof to Account Debtors; (x) use the information recorded on or contained in any data processing equipment and computer hardware and software relating to the Accounts, Inventory, Equipment or any other Collateral; (xi) make and adjust claims under policies of insurance; (xii) sign the name of such Credit Party on any proof of claim in bankruptcy against Account Debtors and on notices of Liens, claims of mechanic's Liens or assignments or releases of mechanic's Liens securing any Accounts; (xiii) take all action as may be necessary to obtain the payment of any letter of credit or banker's acceptance of which such Credit Party is a beneficiary; and (xiv) do all other acts and things necessary, in Agent's determination, to fulfill such Credit Party's obligations under this Agreement.

14.2. General Indemnity. Each Credit Party hereby agrees to indemnify and defend the Indemnitees and to hold the Indemnitees harmless from and against any Claim ever suffered or incurred by any of the Indemnitees arising out of or related to this Agreement or any of the other Loan Documents, the performance by Agent or Lenders of their duties or the exercise of any of their rights or remedies under this Agreement or any of the other Loan Documents, or as a result of any Credit Party's failure to observe, perform or discharge any of its duties hereunder. Each Credit Party shall also indemnify and defend the Indemnitees against and save the Indemnitees harmless from all Claims of any Person arising out of, related to or with respect to any transactions entered into pursuant to this Agreement or Agent's Lien upon the Collateral. Without limiting the generality of the foregoing, this indemnity shall extend to any Claims asserted against or incurred by any of the Indemnitees by any Person under any Environmental Laws or similar laws by reason of any Credit Party's or any other Person's failure to comply with laws applicable to solid or hazardous waste materials or other toxic substances. Additionally, if any Taxes (excluding Taxes imposed upon or measured solely by the net income of Agent and Lenders, but including, any intangibles tax, stamp tax, recording tax or franchise tax) shall be payable

by Agent or any Obligor on account of the execution or delivery of this Agreement, or the execution, delivery, issuance or recording of any of the other Loan Documents, or the creation or repayment of any of the Obligations hereunder, by reason of any Applicable Law now or hereafter in effect, Credit Parties will pay (or will promptly reimburse Agent and Lenders for the payment of) all such Taxes, including any interest and penalties thereon, and will indemnify and hold Indemnitees harmless from and against all liability in connection therewith. The foregoing indemnities shall not apply to Claims incurred by any of the Indemnitees as a direct and proximate result of their own gross negligence or willful misconduct or that arise out of any disputes arising solely between or among Agent and any Lender.

14.3. Survival of All Indemnities. Notwithstanding anything to the contrary in this Agreement or any of the other Loan Documents, the obligation of each Credit Party and each Lender with respect to each indemnity given by it in this Agreement, whether given by such Credit Party to Agent Indemnitees, Lender Indemnitees or Agent Indemnitees or by any Lender to any Agent Indemnitees or Agent Indemnitees, shall survive the payment in full of the Obligations and the termination of any of the Commitments.

14.4. Modification of Agreement. This Agreement may not be modified, altered or amended, except by an agreement in writing signed by Borrowers and Agent and Lenders (or, where otherwise expressly allowed by Section 12 hereof, the Required Lenders in lieu of Agent and Lenders); provided, however, that no consent, written or otherwise, of any Borrower shall be necessary or required in connection with any amendment of any of the provisions of **Sections 1.2.8, 3.1.3, 4.6, or 12** (other than **Section 12.17**) or any other provision of this Agreement that affects only the rights, duties and responsibilities of Lenders and Agent as among themselves so long as no such amendment imposes any additional obligations on Credit Parties.

14.5. Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision of this Agreement shall be prohibited by or invalid under Applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

14.6. Cumulative Effect; Conflict of Terms. The provisions of the Other Agreements and the Security Documents are hereby made cumulative with the provisions of this Agreement. Without limiting the generality of the foregoing, the parties acknowledge that this Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters and that such limitations, tests and measures are cumulative and each must be performed, except as may be expressly stated to the contrary in this Agreement. Except as otherwise provided in the Syndication Letter, or any of the other Loan Documents by specific reference to the applicable provision of this Agreement, if any provision contained in this Agreement is in direct conflict with, or inconsistent with, any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

14.7. Execution in Counterparts. This Agreement and any amendments hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

14.8. Consent. Whenever Agent's, Lenders' or Required Lenders' consent is required to be obtained under this Agreement or any of the other Loan Documents as a condition to any action, inaction, condition or event, Agent and each Lender shall be authorized to give or withhold its consent in its sole

and absolute discretion and to condition its consent upon the giving of additional collateral security for the Obligations, the payment of money or any other matter.

14.9. Notices. All notices, requests and demands to or upon a party hereto shall be in writing and shall be sent by certified or registered mail, return receipt requested, personal delivery against receipt or by telecopier or other facsimile transmission and shall be deemed to have been validly served, given or delivered when delivered against receipt or, in the case of facsimile transmission, when received (if on a Business Day and, if not received on a Business Day, then on the next Business Day after receipt) at the office where the noticed party's telecopier is located, in each case addressed to the noticed party at the address shown for such party on the signature page hereof or, in the case of a Person who becomes a Lender after the date hereof, at the address shown on the Assignment and Acceptance by which such Person became a Lender. Notwithstanding the foregoing, no notice to or upon Agent pursuant to **Sections 1.2, 2.1.2, 3.1 or 5.2.2** shall be effective until after actually received by the individual to whose attention at Agent such notice is required to be sent. Any written notice, request or demand that is not sent in conformity with the provisions hereof shall nevertheless be effective on the date that such notice, request or demand is actually received by the individual to whose attention at the noticed party such notice, request or demand is required to be sent.

14.10. Performance of Credit Parties' Obligations. If any Borrower shall fail to discharge any covenant, duty or obligation hereunder or under any of the other Loan Documents, Agent may, in its sole discretion at any time or from time to time, for Credit Parties' account and at Borrowers' expense, pay any amount or do any act required of Credit Parties hereunder or under any of the other Loan Documents or otherwise lawfully requested by Agent to enforce any of the Loan Documents or Obligations, preserve, protect, insure or maintain any of the Collateral, or preserve, defend, protect or maintain the validity or priority of Agent's Liens in any of the Collateral, including the payment of any judgment against any Credit Party, any insurance premium, any warehouse charge, any finishing or processing charge, any landlord claim, or any other Lien upon or with respect to any of the Collateral. All payments that Agent may make under this Section and all out-of-pocket costs and expenses (including Extraordinary Expenses) that Agent pays or incurs in connection with any action taken by it hereunder shall be reimbursed to Agent by Borrowers **on demand** with interest from the date such payment is made or such costs or expenses are incurred to the date of payment thereof at the Default Rate applicable for Revolver Loans that are Base Rate Loans. Any payment made or other action taken by Agent under this Section shall be without prejudice to any right to assert, and without waiver of, an Event of Default hereunder and to proceed thereafter as provided herein or in any of the other Loan Documents.

14.11. Credit Inquiries. Each Credit Party hereby authorizes and permits Agent and Lenders (but Agent and Lenders shall have no obligation) to respond to usual and customary credit inquiries from third parties concerning such Credit Party or any Subsidiaries.

14.12. Time of Essence. Time is of the essence of this Agreement, the Other Agreements and the Security Documents.

14.13. Indulgences Not Waivers. Agent's or any Lender's failure at any time or times hereafter, to require strict performance by Credit Parties of any provision of this Agreement shall not waive, affect or diminish any right of Agent or any Lender thereafter to demand strict compliance and performance therewith.

14.14. Entire Agreement; Appendix A, Exhibits and Schedules. This Agreement and the other Loan Documents, together with all other instruments, agreements and certificates executed by the parties in connection therewith or with reference thereto, embody the entire understanding and agreement between the parties hereto and thereto with respect to the subject matter hereof and thereof and supersede

all prior agreements, understandings and inducements, whether express or implied, oral or written. Appendix A, each of the Exhibits and each of the Schedules attached hereto are incorporated into this Agreement and by this reference made a part hereof.

14.15. Interpretation. No provision of this Agreement or any of the other Loan Documents shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having, or being deemed to have, structured, drafted or dictated such provision.

14.16. Obligations of Lenders Several. The obligations of each Lender hereunder are several, and no Lender shall be responsible for the obligations or Commitment of any other Lender. Nothing contained in this Agreement and no action taken by Lenders pursuant hereto shall be deemed to constitute the Lenders to be a partnership, association, joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and each Lender shall be entitled, to the extent not otherwise restricted hereunder, to protect and enforce its rights arising out of this Agreement and any of the other Loan Documents and it shall not be necessary for Agent or any other Lender to be joined as an additional party in any proceeding for such purpose.

14.17. Confidentiality. Agent and Lenders each agrees to exercise reasonable efforts (and, in any event, with at least the same degree of care as it ordinarily exercises with respect to confidential information of its other customers) to keep any confidential information that is delivered or made available by Borrowers to it and that is marked confidential, including information made available to Agent or any Lender in connection with a visit or investigation by any Person contemplated in **Section 9.1.1** hereof, confidential from any Person other than their respective Affiliates and individuals employed or retained by Agent or such Lender who are or are expected to become engaged in evaluating, approving, structuring, administering or otherwise giving professional advice with respect to any of the Loans or Collateral (including any of their respective legal counsel, auditors or other professional advisors); provided, however, that nothing herein shall prevent Agent or any Lender from disclosing such confidential information (i) to any party to this Agreement from time to time or any Participant which agrees in writing to be bound by the provisions of this Section, (ii) pursuant the order of any court or administrative agency, (iii) upon the request or demand of any regulatory agency or authority having jurisdiction over Agent or such Lender, (iv) which has been publicly disclosed other than by an act or omission of Agent or any Lender except as permitted herein, (v) to the extent reasonably required in connection with any litigation (with respect to any of the Loan Documents or any of the transactions contemplated thereby) to which Agent, any Lender or their respective Affiliates may be a party, (vi) to the extent reasonably required in connection with the exercise of any remedies hereunder, (vii) to any actual or proposed Participant, Assignee or other Transferee of all or part of a Lender's rights hereunder so long as such Transferee has agreed in writing to be bound by the provisions of this Section, and (viii) to the National Association of Insurance Commissioners or any similar organization or to any nationally recognized rating agency that requires access to information about a Lender's portfolio in connection with ratings issued with respect to such Lender.

14.18. Governing Law; Consent to Forum. This Agreement has been negotiated, executed and delivered at and shall be deemed to have been made in Dallas, Texas. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas; provided, however, that if any of the Collateral shall be located in any jurisdiction other than Texas, the laws of such jurisdiction shall govern the method, manner and procedure for foreclosure of Agent's Lien upon such Collateral and the enforcement of Agent's other remedies in respect of such Collateral to the extent that the laws of such jurisdiction are different from or inconsistent with the laws of the State of Texas. As part of the consideration for new value received, and regardless of any present or future domicile or principal place of business of any Borrower, any Lender or Agent, each Credit

Party hereby consents and agrees that any U.S. Federal or Texas State Court sitting in Dallas, Texas shall have jurisdiction to hear and determine any claims or disputes among any or all of the Credit Parties, Agent and Lenders pertaining to this Agreement or to any matter arising out of or related to this Agreement. Each Credit Party expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such Court, and each Credit Party hereby waives any objection which such Credit Party may have based upon lack of personal jurisdiction, improper venue or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such Court. Each Credit Party hereby waives personal service of the summons, complaint and other process issued in any such action or suit and agrees that service of such summons, complaint and other process may be made by certified mail addressed to such Credit Party at the address set forth in this Agreement and that service so made shall be deemed completed upon the earlier of such Credit Party's actual receipt thereof or 3 days after deposit in the U.S. mails, proper postage prepaid. Nothing in this Agreement shall be deemed or operate to affect the right of Agent to serve legal process in any other manner permitted by law, or to preclude the enforcement by Agent of any judgment or order obtained in such forum or the taking of any action under this Agreement to enforce same in any other appropriate forum or jurisdiction.

14.19. Waivers by Credit Parties. To the fullest extent permitted by Applicable Law, each Credit Party waives (i) the right to trial by jury (which Agent and each Lender hereby also waives) in any action, suit, proceeding or counterclaim of any kind arising out of or related to any of the Loan Documents, the Obligations or the Collateral; (ii) presentment, demand and protest and notice of presentment, protest, default, non payment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Agent on which such Credit Party may in any way be liable and hereby ratifies and confirms whatever Agent may do in this regard; (iii) notice prior to taking possession or control of the Collateral or any bond or security which might be required by any court prior to allowing Agent to exercise any of Agent's remedies; (iv) the benefit of all valuation, appraisal and exemption laws; and (v) notice of acceptance hereof. Each Credit Party acknowledges that the foregoing waivers are a material inducement to Agent's and Lender's entering into this Agreement and that Agent and Lenders are relying upon the foregoing waivers in its future dealings with Borrowers. Each Credit Party warrants and represents that it has reviewed the foregoing waivers with its legal counsel and has knowingly and voluntarily waived its jury trial rights following consultation with legal counsel. In the event of litigation, this Agreement may be filed as a written consent to a trial by the Court.

14.20. No Further Agreements. THIS WRITTEN AGREEMENT AND THE LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPERANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS AMONG THE PARTIES.

SECTION 15. GUARANTY

15.1. Guaranty. Each Guarantor (other than those that have delivered a separate Guaranty; each to be referred to in this Article XV as a Guarantor and collectively as the Guarantors) hereby agrees that it is jointly and severally liable for, and, as primary obligor and not merely as surety, absolutely and unconditionally guarantees to the Lenders the prompt payment when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, of the Obligations and all costs and expenses including, without limitation, all court costs and attorneys' and paralegals' fees (including allocated costs of in-house counsel and paralegals) and expenses paid or incurred by the Agent, the Letter of Credit

Issuer and the Lenders in endeavoring to collect all or any part of the Obligations from, or in prosecuting any action against, any Borrower, any Guarantor or any other guarantor of all or any part of the Obligations (such costs and expenses, together with the Obligations, collectively the "Guaranteed Obligations"). Each Guarantor further agrees that the Guaranteed Obligations may be extended or renewed in whole or in part without notice to or further assent from it, and that it remains bound upon its guarantee notwithstanding any such extension or renewal.

15.2. Guaranty of Payment. This Guaranty is a guaranty of payment and not of collection. Each Guarantor waives any right to require the Agent, the LC Issuer or any Lender to sue any Borrower, any Guarantor, any other guarantor, or any other person obligated for all or any part of the Guaranteed Obligations, or otherwise to enforce its payment against any collateral securing all or any part of the Guaranteed Obligations.

15.3. No Discharge or Diminishment of Guaranty.

(i) Except as otherwise provided for herein and to the extent provided for herein, the obligations of each Guarantor hereunder are unconditional and absolute and not subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of the Guaranteed Obligations), including:

(a) any claim of waiver, release, extension, renewal, settlement, surrender, alteration, or compromise of any of the Guaranteed Obligations, by operation of law or otherwise;

(b) any change in the corporate existence, structure or ownership of any Borrower or any other guarantor of or other person liable for any of the Guaranteed Obligations;

(c) any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Borrower, any Guarantor, or any other guarantor of or other person liable for any of the Guaranteed Obligations, or their assets or any resulting release or discharge of any obligation of any Borrower, any Guarantor, or any other guarantor of or other person liable for any of the Guaranteed Obligations; or

(d) the existence of any claim, setoff or other rights which any Guarantor may have at any time against any Borrower, any Guarantor, any other guarantor of the Guaranteed Obligations, the Agent, the Letter of Credit Issuer, any Lender, or any other person, whether in connection herewith or in any unrelated transactions.

(ii) The obligations of each Guarantor hereunder are not subject to any defense or setoff, counterclaim, recoupment, or termination whatsoever by reason of the invalidity, illegality, or unenforceability of any of the Guaranteed Obligations or otherwise, or any provision of applicable law or regulation purporting to prohibit payment by any Borrower, any Guarantor or any other guarantor of or other person liable for any of the Guaranteed Obligations, of the Guaranteed Obligations or any part thereof.

(iii) Further, the obligations of any Guarantor hereunder are not discharged or impaired or otherwise affected by:

- (a) the failure of the Agent, the Letter of Credit Issuer or any Lender to assert any claim or demand or to enforce any remedy with respect to all or any part of the Guaranteed Obligations;
- (b) any waiver or modification of or supplement to any provision of any agreement relating to the Guaranteed Obligations;
- (c) any release, non-perfection, or invalidity of any indirect or direct security for the obligations of any Borrower for all or any part of the Guaranteed Obligations or any obligations of any other guarantor of or other person liable for any of the Guaranteed Obligations;
- (iv) any action or failure to act by the Agent, the Letter of Credit Issuer or any Lender with respect to any collateral securing any part of the Guaranteed Obligations; and
- (v) any default, failure or delay, willful or otherwise, in the payment or performance of any of the Guaranteed Obligations, or any other circumstance, act, omission or delay that might in any manner or to any extent vary the risk of such Guarantor or that would otherwise operate as a discharge of any Guarantor as a matter of law or equity (other than the indefeasible payment in full in cash of the Guaranteed Obligations).

15.4. Defenses Waived. To the fullest extent permitted by applicable law, each Guarantor hereby waives any defense based on or arising out of any defense of any Borrower or any Guarantor or the unenforceability of all or any part of the Guaranteed Obligations from any cause, or the cessation from any cause of the liability of any Borrower or any Guarantor, other than the indefeasible payment in full in cash of the Guaranteed Obligations. Without limiting the generality of the foregoing, each Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any person against any Borrower, any Guarantor, any other guarantor of any of the Guaranteed Obligations, or any other person. The Agent may, at its election, foreclose on any Collateral held by it by one or more judicial or nonjudicial sales, accept an assignment of any such Collateral in lieu of foreclosure or otherwise act or fail to act with respect to any collateral securing all or a part of the Guaranteed Obligations, compromise or adjust any part of the Guaranteed Obligations, make any other accommodation with any Borrower, any Guarantor, any other guarantor or any other person liable on any part of the Guaranteed Obligations or exercise any other right or remedy available to it against any Borrower, any Guarantor, any other guarantor or any other person liable on any of the Guaranteed Obligations, without affecting or impairing in any way the liability of such Guarantor under this Guaranty except to the extent the Guaranteed Obligations have been fully and indefeasibly paid in cash. To the fullest extent permitted by applicable law, each Guarantor waives any defense arising out of any such election even though that election may operate, pursuant to applicable law, to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Guarantor against any Borrower, any other guarantor or any other person liable on any of the Guaranteed Obligations, as the case may be, or any security.

15.5. Rights of Subrogation. No Guarantor will assert any right, claim or cause of action, including, without limitation, a claim of subrogation, contribution or indemnification that it has against any Borrower, any Guarantor, any person liable on the Guaranteed Obligations, or any collateral, until the Credit Parties have fully performed all their obligations to the Agent, the Letter of Credit Issuer and the Lenders.

15.6. Reinstatement; Stay of Acceleration. If at any time any payment of any portion of the Guaranteed Obligations is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, or reorganization of any Borrower or otherwise, each Guarantor's obligations under this Guaranty with respect to that payment shall be reinstated at such time as though the payment had not been made and whether or not the Agent, the LC Issuer and the Lenders are in possession of this Guaranty. If acceleration of the time for payment of any of the Guaranteed Obligations is stayed upon the insolvency, bankruptcy or reorganization of any Borrower, all such amounts otherwise subject to acceleration under the terms of any agreement relating to the Guaranteed Obligations shall nonetheless be payable by the Guarantors forthwith on demand by the Agent.

15.7. Information. Each Guarantor assumes all responsibility for being and keeping itself informed of the Borrowers' financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks that each Guarantor assumes and incurs under this Guaranty, and agrees that neither the Agent, the Letter of Credit Issuer nor any Lender shall have any duty to advise any Guarantor of information known to it regarding those circumstances or risks.

15.8. Termination. The Lenders may continue to make loans or extend credit to any Borrower based on this Guaranty until thirty days after the Agent receives written notice of termination from any Guarantor. Notwithstanding receipt of any such notice, each Guarantor will continue to be liable to the Lender for any Guaranteed Obligations created, assumed or committed to prior to the thirtieth day after receipt of the notice, and all subsequent renewals, extensions, modifications and amendments with respect to, or substitutions for, all or any part of that Guaranteed Obligations.

15.9. Taxes. All payments of the Guaranteed Obligations will be made by each Guarantor free and clear of and without deduction for or on account of any and all present or future Taxes. If any Guarantor is required by law to deduct any Taxes from or in respect of any sum payable to the Lenders under this Guaranty, (a) the sum payable must be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this provision) the Lenders receive an amount equal to the sum it would have received had no such deductions been made, (b) the Guarantors must then make such deductions, and must pay the full amount deducted to the relevant authority in accordance with applicable law, and (c) the Guarantors must furnish to the Lender within forty-five days after their due date certified copies of all official receipts evidencing payment thereof.

15.10. Severability. The provisions of this Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Guarantor under this Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of such Guarantor's liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by the Guarantors or the Lenders, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being the relevant Guarantor's "**Maximum Liability**"). This Section with respect to the Maximum Liability of each Guarantor is intended solely to preserve the rights of the Lenders to the maximum extent not subject to avoidance under applicable law, and no Guarantor nor any other person or entity shall have any right or claim under this Section with respect to such Maximum Liability, except to the extent necessary so that the obligations of any Guarantor hereunder shall not be rendered voidable under applicable law. Each Guarantor agrees that the Guaranteed Obligations may at any time and from time to time exceed the Maximum Liability of each Guarantor without impairing this Guaranty or affecting the rights and remedies of the Lenders hereunder, *provided that*, nothing in this sentence shall be construed to increase any Guarantor's obligations hereunder beyond its Maximum Liability.

15.11. Contribution. In the event any Guarantor (a "Paying Guarantor") shall make any payment or payments under this Guaranty or shall suffer any loss as a result of any realization upon any collateral granted by it to secure its obligations under this Guaranty, each other Guarantor (each a "Non-Paying Guarantor") shall contribute to such Paying Guarantor an amount equal to such Non-Paying Guarantor's "Pro Rata Share" of such payment or payments made, or losses suffered, by such Paying Guarantor. For purposes of this Article XV, each Non-Paying Guarantor's "Pro Rata Share" with respect to any such payment or loss by a Paying Guarantor shall be determined as of the date on which such payment or loss was made by reference to the ratio of (i) such Non-Paying Guarantor's Maximum Liability as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder) or, if such Non-Paying Guarantor's Maximum Liability has not been determined, the aggregate amount of all monies received by such Non-Paying Guarantor from the Borrowers after the date hereof (whether by loan, capital infusion or by other means) to (ii) the aggregate Maximum Liability of all Guarantors hereunder (including such Paying Guarantor) as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder), or to the extent that a Maximum Liability has not been determined for any Guarantor, the aggregate amount of all monies received by such Guarantors from the Borrowers after the date hereof (whether by loan, capital infusion or by other means). Nothing in this provision shall affect any Guarantor's several liability for the entire amount of the Guaranteed Obligations (up to such Guarantor's Maximum Liability). Each of the Guarantors covenants and agrees that its right to receive any contribution under this Guaranty from a Non-Paying Guarantor shall be subordinate and junior in right of payment to the payment in full in cash of the Guaranteed Obligations. This provision is for the benefit of both the Agent, the LC Issuer, the Lenders and the Guarantors and may be enforced by any one, or more, or all of them in accordance with the terms hereof.

15.12. Liability Cumulative. The liability of each Credit Party as a Guarantor under this Article XV is in addition to and shall be cumulative with all liabilities of each Credit Party to the Agent, the Letter of Credit Issuer and the Lenders under this Agreement and the other Loan Documents to which such Credit Party is a party or in respect of any obligations of liabilities of the other Credit Parties, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

15.13. Bermuda Insurance Act. Anything herein to the contrary notwithstanding, the obligations under this Agreement of IES Reinsurance, Ltd., a Bermuda limited partnership ("IES Reinsurance"), shall be subject to IES Reinsurance meeting its solvency margins and liquidity ratios pursuant to the Bermuda Insurance Act of 1978 and related regulations.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Agreement has been duly executed in Dallas, Texas, on the day and year specified at the beginning of this Agreement.

AGENT:

BANK OF AMERICA, N.A., as Agent

By: /s/ H. Michael Wills

Name: H. Michael Wills

Title: Senior Vice President

LENDERS:

BANK OF AMERICA, N.A.

By: /s/ H. Michael Wills

Name: H. Michael Wills

Title: Senior Vice President

WELLS FARGO Foothill, LLC

By: /s/ David P. Hill

Name: David P. Hill

Title: Vice President

THE CIT GROUP/BUSINESS CREDIT, INC.

By: /s/ Kirk Wolverton

Name: Kirk Wolverton

Title: Vice President

CREDIT PARTIES:

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ Curt L. Warnock
Curt L. Warnock
Senior Vice President

ALADDIN-WARD ELECTRIC & AIR, INC.
AMBER ELECTRIC, INC.
ARC ELECTRIC, INCORPORATED
BACHOFNER ELECTRIC, INC.
BEAR ACQUISITION CORPORATION
BRYANT ELECTRIC COMPANY, INC.
BW/BEC, INC.
BW CONSOLIDATED, INC.
CHARLES P. BAGBY CO., INC.
COLLIER ELECTRIC COMPANY, INC.
COMMERCIAL ELECTRICAL CONTRACTORS, INC.
CROSS STATE ELECTRIC, INC.
CYPRESS ELECTRICAL CONTRACTORS, INC.
DANIEL ELECTRICAL CONTRACTORS, INC.
DANIEL ELECTRICAL OF TREASURE COAST,
INC.
DANIEL INTEGRATED TECHNOLOGIES, INC.
DAVIS ELECTRICAL CONSTRUCTORS, INC.
ELECTRO-TECH, INC.
EMC ACQUISITION CORPORATION
FEDERAL COMMUNICATIONS GROUP, INC.
GENERAL PARTNER, INC.
HATFIELD REYNOLDS ELECTRIC COMPANY
HOLLAND ELECTRICAL SYSTEMS, INC.
HOUSTON-STAFFORD ELECTRIC HOLDINGS
III, INC.
HOUSTON-STAFFORD MANAGEMENT LLC
ICS HOLDINGS LLC
IES ALBUQUERQUE, INC.
IES AUSTIN, INC.
IES AUSTIN MANAGEMENT LLC
IES CHARLESTON, INC.
IES CHARLOTTE, INC.
IES COLLEGE STATION, INC.
IES COLLEGE STATION MANAGEMENT LLC
IES COMMUNICATIONS, INC.
IES CONTRACTORS MANAGEMENT LLC
IES DECATUR, INC.
IES EAST MCKEESPORT, INC.
IES ENC, INC.
IES ENC MANAGEMENT, INC.
IES MERIDIAN, INC.
IES NEW IBERIA, INC.
IES OKLAHOMA CITY, INC.

IES OPERATIONS GROUP, INC.
IES PROPERTIES, INC.
IES PROPERTIES MANAGEMENT, INC.
IES RALEIGH, INC.
IES RAPID CITY, INC.
IES RESIDENTIAL GROUP, INC.
IES SPECIALTY LIGHTING, INC.
IES VALDOSTA, INC.
IES VENTURES INC.
IES WILSON, INC.
INTEGRATED ELECTRICAL FINANCE, INC.
INTELLIGENT BUILDING SOLUTIONS, INC.
J.W. GRAY ELECTRIC CO., INC.
J.W. GRAY MANAGEMENT LLC
KAYTON ELECTRIC, INC.
KEY ELECTRICAL SUPPLY, INC.
LINEMEN, INC.
MARK HENDERSON, INCORPORATED
MENNINGA ELECTRIC, INC.
MID-STATES ELECTRIC COMPANY, INC.
MILLS ELECTRICAL CONTRACTORS, INC.
MILLS MANAGEMENT LLC
MITCHELL ELECTRIC COMPANY, INC.
M-S SYSTEMS, INC.
MURRAY ELECTRICAL CONTRACTORS, INC.
NBH HOLDING CO., INC.
NEAL ELECTRIC MANAGEMENT LLC
NEW TECHNOLOGY ELECTRICAL
CONTRACTORS, INC.
NEWCOMB ELECTRIC COMPANY, INC.
PAN AMERICAN ELECTRIC COMPANY, INC.
PAN AMERICAN ELECTRIC, INC.
PAULIN ELECTRIC COMPANY, INC.
POLLOCK ELECTRIC, INC.
PRIMENET, INC.
PRIMO ELECTRIC COMPANY
RAINES ELECTRIC CO., INC.
RAINES MANAGEMENT LLC
RIVIERA ELECTRIC, LLC
RKT ELECTRIC, INC.
ROCKWELL ELECTRIC, INC.
RODGERS ELECTRIC COMPANY, INC.
RON'S ELECTRIC, INC.
SEI ELECTRICAL CONTRACTOR, INC.
SPECTROL, INC.
SUMMIT ELECTRIC OF TEXAS, INC.

TESLA POWER GP, INC.
THOMAS POPP & COMPANY
VALENTINE ELECTRICAL, INC.
WRIGHT ELECTRICAL CONTRACTING, INC.

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

IES CONTRACTORS, INC.

Name: /s/ Curt L. Warnock
Curt L. Warnock
Secretary

IES REINSURANCE, LTD.

Name: /s/ Curt L. Warnock
Curt L. Warnock
President

BEXAR ELECTRIC COMPANY, LTD.

By: BW/BEC, Inc., its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

HAYMAKER ELECTRIC, LTD

By: General Partner, Inc., its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

HOUSTON-STAFFORD ELECTRICAL
CONTRACTORS LP

By: Houston-Stafford Management LLC, its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

IES AUSTIN HOLDING LP

By: IES Austin Management LLC, its general partner

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

IES COLLEGE STATION HOLDINGS, LP

By: IES College Station Management LLC, its general partner

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

IES FEDERAL CONTRACT GROUP, L.P.

By: IES Contractors Management LLC

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

IES MANAGEMENT ROO, LP

By: Neal Electric Management LLC, its general partner

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

IES MANAGEMENT, LP

By: IES Residential Group, Inc., its general partner

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

IES PROPERTIES, LP

By: IES Properties Management, Inc., its general partner

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

J.W. GRAY ELECTRICAL CONTRACTORS LP
By: J.W. Gray Management LLC, its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

MILLS ELECTRIC LP
By: Mills Management LLC

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

NEAL ELECTRIC LP
By: BW/BEC, Inc., its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

POLLOCK SUMMIT ELECTRIC LP
By: Pollock Electric, Inc. and Summit Electric of
Texas, Inc., its general partners

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

RAINES ELECTRIC LP
By: Raines Management LLC, its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

TESLA POWER AND AUTOMATION, L.P.
By: Telsa Power GP, Inc., its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

TESLA POWER PROPERTIES, L.P.

By: Telsa Power GP, Inc., its general partner

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

BEXAR ELECTRIC II LLC
BW/BEC II LLC
BW/BEC, L.L.C.
HOUSTON-STAFFORD HOLDINGS II LLC
HOUSTON-STAFFORD HOLDINGS LLC
IES AUSTIN HOLDINGS II LLC
IES AUSTIN HOLDINGS LLC
IES COLLEGE STATION HOLDINGS II LLC
IES COLLEGE STATION HOLDINGS LLC
IES CONTRACTORS HOLDINGS LLC
IES HOLDINGS II LLC
IES HOLDINGS LLC
IES PROPERTIES HOLDINGS II LLC
J.W. GRAY HOLDINGS II LLC
J.W. GRAY HOLDINGS LLC
MILLS ELECTRIC HOLDINGS II LLC
MILLS ELECTRICAL HOLDINGS LLC
POLLOCK SUMMIT HOLDINGS II LLC
RAINES HOLDINGS II LLC
RAINES HOLDINGS LLC
TESLA POWER (NEVADA) II LLC

By: /s/ Victor Duva
Victor Duva, Manager

IES PROPERTIES HOLDINGS, INC.
POLLOCK SUMMIT HOLDINGS INC.
TESLA POWER (NEVADA), INC.

By: /s/ Victor Duva
Victor Duva, President

APPENDIX A
GENERAL DEFINITIONS

When used in the Loan and Security Agreement, dated May 12, 2006 (as at any time amended, the "Agreement"), by and among Integrated Electrical Services, Inc., a Delaware corporation, and the other Borrowers a party thereto, the Guarantors party thereto, each financial institution listed on the signature pages attached thereto and its successors and assigns which become "Lenders" as provided therein (such financial institutions and their respective successors and assigns referred to collectively herein as "Lenders" and individually as a "Lender"), and Bank of America, N.A., a national banking association ("Agent"), in its capacity as collateral and administrative agent for itself and the Lenders, the following terms shall have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

Accounts — all of a Credit Party's now owned or hereafter acquired accounts and all other rights to payment for goods sold or leased or for services rendered which are not evidenced by an Instrument or Chattel Paper, whether or not they have been earned by performance.

Account Debtor — any Person who is or may become obligated under or on account of an Account.

ACH Transactions — any cash management or related services including the automatic clearing house transfer of funds by Bank for the account of a Borrower pursuant to agreement or overdrafts.

Accounts Formula Amount — on any date of determination thereof, an amount equal to 85% of the net amount of Eligible Accounts on such date. As used herein, the phrase "net amount of Eligible Accounts" shall mean the face amount of such Accounts on any date less any and all returns, rebates, discounts (which may, at Lender's option, be calculated on shortest terms), credits, allowances or Taxes (including sales, excise or other taxes) at any time issued, owing, claimed by Account Debtors, granted, outstanding or payable in connection with, or any interest accrued on the amount of, such Accounts at such date.

Adjusted LIBOR Rate — with respect to each Interest Period for a LIBOR Loan, an interest rate per annum (rounded upwards, to the next 1/16th of 1%) equal to the quotient of (a) the LIBOR Rate in effect for such Interest Period divided by (b) a percentage (expressed as a decimal) equal to 100% minus Statutory Reserves.

Adjusted Net Earnings from Operations — with respect to any period of the Parent, the Parent's net income on a consolidated basis after provision for income taxes for such period, as determined in accordance with GAAP and reported on the Financial Statements for such period, excluding any and all of the following to the extent included in such net income: (a) gain or loss arising from the sale of any capital assets; (b) gain arising from any write-up in the book value of any asset; (c) earnings of any Person, substantially all the assets of which have been acquired by any Credit Party in any manner, to the extent realized by such other Person prior to the date of acquisition; (d) earnings of any Person (other than a Credit Party) in which any Credit Party has an ownership interest unless (and only to the extent) such earnings shall actually have been received by such Credit Party in the form of cash distributions; (e) earnings of any Person to which assets of any Credit Party shall have been sold, transferred or disposed of, or into which any Credit Party shall have been merged, or which has been a party with any Credit Party to any consolidation or other form of reorganization, prior to the date of such transaction; (f) gain arising from the acquisition of debt or equity securities of the Parent or from cancellation or forgiveness

of Debt; and (g) gain arising from extraordinary items, as determined in accordance with GAAP, or from any other non-recurring transaction.

Affiliate — a Person (other than a Subsidiary): (i) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, another Person; (ii) which beneficially owns or holds 10% or more of any class of the Equity Interests of a Person; or (iii) 10% or more of the Equity Interests with power to vote of which is beneficially owned or held by another Person or a Subsidiary of another Person. For purposes hereof, “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of any Equity Interest, by contract or otherwise.

Agent Indemnitees — Agent in its capacity as collateral and administrative agent for the Lenders under the Loan Documents and all of Agent’s present and future officers, directors, employees, agents and attorneys.

Agreement — the Loan and Security Agreement referred to in the first sentence of this Appendix A, all Exhibits and Schedules thereto and this Appendix A.

Applicable Law — all laws, rules and regulations applicable to the Person, conduct, transaction, covenant, Loan Document or Material Contract in question, including all applicable common law and equitable principles; all provisions of all applicable state, federal and foreign constitutions, statutes, rules, regulations and orders of governmental bodies; and orders, judgments and decrees of all courts and arbitrators.

Applicable Margin — a percentage equal to 1.50% with respect to Revolver Loans that are Base Rate Loans, 3.50% with respect to Revolver Loans that are LIBOR Loans, and 3.50% with respect to fees payable to Lenders pursuant to **Section 2.2.3**.

Assignment and Acceptance — an assignment and acceptance entered into by a Lender and an Eligible Assignee and accepted by Agent, in the form of **Exhibit G**.

Availability — on any date, the amount that Borrowers are entitled to borrow as Revolver Loans or have Letters of Credit issued on such date, such amount being the difference derived when the sum of the principal amount of Revolver Loans then outstanding (including any amounts that Agent or Lenders may have paid for the account of Borrowers pursuant to any of the Loan Documents and that have not been reimbursed by Borrowers) is subtracted from the Borrowing Base on such date. If the amount outstanding is equal to or greater than the Borrowing Base, Availability is zero.

Availability Reserve — on any date of determination thereof, an amount equal to the sum of the following (without duplication): (i) a reserve for general inventory shrinkage, whether as a result of theft or otherwise, that is determined by Agent from time to time in its reasonable credit judgment based upon Borrower’s historical losses due to such shrinkage; (ii) all amounts of past due rent, fees or other charges owing at such time by any Obligor to any landlord of any premises where any of the Collateral is located or to any processor, repairman, mechanic or other Person who is in possession of any Collateral or has asserted any Lien or claim thereto; (iii) an amount equal to three months rent as to any location where any tangible Collateral (in excess of \$50,000 for each such location), any Eligible Collateral other than motor vehicles (without regard to amount), and/or any books and records is located if Agent does not have in its possession a duly executed Landlord’s Waiver in form and substance satisfactory to Agent; (iv) any amounts which any Obligor is obligated to pay pursuant to the provisions of any of the Loan Documents

that Agent or any Lender elects to pay for the account of such Obligor in accordance with authority contained in any of the Loan Documents; (v) aggregate amount of Bank Product Reserves; (vi) all customer deposits or other prepayments held by a Borrower; (vii) a general reserve of \$10,000,000, until such time as Agent removes or reduces such reserve; (viii) a reserve for sales taxes; and (ix) such additional reserves as Agent in its sole and absolute discretion may elect to impose from time to time.

Average Revolver Loan Balance — for any period, the amount obtained by adding the aggregate of the unpaid balance of Revolver Loans and LC Outstandings at the end of each day for the period in question and by dividing such sum by the number of days in such period.

Bank — Bank of America, N.A., a national banking association, or any successor entity.

Bank Products — any one or more of the following types of services or facilities extended to any Borrower by the Bank or any Affiliate of the Bank in reliance on Bank's agreement to indemnify such Affiliate: (i) credit cards; (ii) ACH Transactions, cash management, including controlled disbursement services; and (iii) Interest Rate Contracts.

Bank Products Reserves — all reserves Agent from time to time establishes in its reasonable discretion for Bank Products then provided or outstanding.

Bankruptcy Case — collectively, each of the Cases, jointly administered under Case No. 06-30602-BJH-11, filed by the Chapter 11 Debtors with the Bankruptcy Court.

Bankruptcy Code — title 11 of the United States Code.

Bankruptcy Court — the United States Bankruptcy Court for the Northern District of Texas.

Base Rate — the rate of interest announced or quoted by Bank from time to time as its prime rate. The prime rate announced by Bank is a reference rate and does not necessarily represent the lowest or best rate charged by Bank. Bank may make loans or other extensions of credit at, above or below its announced prime rate. If the prime rate is discontinued by Bank as a standard, a comparable reference rate designated by Bank as a substitute therefor shall be the Base Rate.

Base Rate Loan — a Loan, or portion thereof, during any period in which it bears interest at a rate based upon the Base Rate.

Board of Governors — the Board of Governors of the Federal Reserve System.

Bonded Accounts — as to any Borrower, all now owned or hereafter acquired accounts (as defined in the UCC) and (whether included in such definition) accounts receivable; and proceeds (other than such proceeds which are negotiable instruments or cash or Cash Equivalents in the possession or control of Agent), including without limitation, all insurance proceeds and letter of credit proceeds, in each case solely to the extent such accounts, accounts receivable, and proceeds arise out of a Bonded Contract, including, but not limited to, Bonded Retainage, and all forms of obligations whatsoever owing to any Credit Party under instruments and documents of title constituting the foregoing or proceeds thereof; and all rights, securities, and guarantees with respect to each of the foregoing.

Bonded Contract — the contracts listed on **Schedule A** attached hereto and any future contract in respect of which any Surety Bond is issued on behalf of any Borrower and Agent receives written notice of such Surety Bond from Borrower prior to any Account related thereto being included in the Borrowing Base or reported on a Borrowing Base Certificate.

Bonded Equipment — all now owned or hereafter acquired right, title and interest with respect to Equipment (as defined in the UCC), owned by a Borrower and (whether or not included in such definition) all other personal property in each case which is delivered to, prefabricated for or specifically ordered for a Bonded Job Site, whether or not the same will be deemed to be affixed to, arise out of or relate to any real property, together with all accessions thereto.

Bonded Inventory — all now owned and hereafter acquired inventory of Borrowers, including, without limitation, goods, merchandise and other personal property in each case which is furnished under any Bonded Contract, all raw materials, work in process, finished goods and materials and supplies of any kind, nature or description in each case which is delivered to, prefabricated for or specifically ordered for a Bonded Job Site.

Bonded Job Site — the site specified in a Bonded Contract where any Borrower is to perform the specialized electrical and communication services required thereunder, including all other labor, materials, equipment and services provided or to be provided to fulfill its obligations thereunder.

Bonded Retainage — contract proceeds periodically withheld by an account debtor to provide further security for the performance by any Borrower of a Bonded Contract, and as such are payable to it only upon a clear demonstration of compliance with terms of the Bonded Contract.

Borrowing — a borrowing consisting of Loans of one Type made on the same day by Lenders (or by Agent in the case of a Borrowing funded by Settlement Loans) or a conversion of a Loan or Loans of one Type from Lenders on the same day.

Borrowing Base — on any date of determination thereof, an amount equal to the lesser of: (a) the aggregate amount of the Commitments on such date minus the LC Outstandings on such date, or (b) an amount equal to (i) the sum of the Accounts Formula Amount plus the Inventory Formula Amount on such date plus the Eligible Cash Collateral on such date minus (ii) the Availability Reserve on such date minus (iii) the LC Reserves on such date minus (iv) the Restructuring Expenses Reserve on such date.

Borrowing Base Certificate — a certificate, in the form of **Exhibit B** attached hereto, or as otherwise reasonably requested by Agent, by which Borrowers shall certify to Agent and Lenders, with such frequency as Agent may request, the amount of the Borrowing Base as of a date not more than 23 Business Days earlier than the date of submission of such certificate to Agent (or such other date as is required by this Agreement) and the calculation of such amount.

Business Day — any day excluding Saturday, Sunday and any other day that is a legal holiday under the laws of the State of Texas or is a day on which banking institutions located in such state are closed; provided, however, that when used with reference to a LIBOR Loan (including the making, continuing, prepaying or repaying of any LIBOR Loan), the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits on the London interbank market.

Capital Expenditures — expenditures made or liabilities incurred for the acquisition of any fixed assets or improvements, replacements, substitutions or additions thereto which have a useful life of more than one year, including the total principal portion of Capitalized Lease Obligations.

Capitalized Lease Obligation — any Debt represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

Cash Collateral — cash or Cash Equivalents, and any interest earned thereon, that is deposited with Agent in a Cash Collateral Account in accordance with the Agreement for the Pro Rata benefit of Lenders as security for the Obligations.

Cash Collateral Account — a demand deposit, money market or other account established by Agent at such financial institution as Agent may select in its discretion, which account shall be in Agent's name and as to which (a) Agent, for the benefit of itself and Lenders, shall have a valid, enforceable first priority Lien, (b) no defense, counterclaim, set off or dispute shall exist or be asserted with respect thereto and (c) no Liens exist other than (i) the Lien of Agent and (ii) a subordinate Lien in favor of Tranche B Agent, but only to the extent such Lien is consistent with the provisions of **Section 9.2.5(xii)** of this Agreement.

Cash Equivalents — (i) marketable direct obligations issued or unconditionally guaranteed by the United States government and backed by the full faith and credit of the United States government having maturities of not more than 12 months from the date of acquisition; (ii) domestic certificates of deposit and time deposits having maturities of not more than 12 months from the date of acquisition, bankers' acceptances having maturities of not more than 12 months from the date of acquisition and overnight bank deposits, in each case issued by any commercial bank organized under the laws of the United States, any state thereof or the District of Columbia, which at the time of acquisition are rated A-1 (or better) by S&P or P-1 (or better) by Moody's, and (unless issued by a Lender) not subject to offset rights in favor of such bank arising from any banking relationship with such bank; (iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (i) and (ii) entered into with any financial institution meeting the qualifications specified in clause (ii) above; and (iv) commercial paper having at the time of investment therein or a contractual commitment to invest therein a rating of A-1 (or better) by S&P or P-1 (or better) by Moody's, and having a maturity within 9 months after the date of acquisition thereof.

Cash Management Agreements — any agreement entered into from time to time between a Borrower or any of its Subsidiaries, on the one hand, and Bank or any of its Affiliates or any other banking or financial institution, on the other, in connection with cash management services for operating, collections, payroll and trust accounts of such Borrower or its Subsidiaries provided by such banking or financial institution, including automatic clearinghouse services, controlled disbursement services, electronic funds transfer services, information reporting services, lockbox services, stop payment services and wire transfer services.

CERCLA — the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. § 9601 et seq. and its implementing regulations.

Change of Control — the occurrence of any of the following events after the date of the Agreement: (a) any Person or group excluding the Principal Stockholders shall own beneficially (as defined in Rule 13d-3 of the SEC under the Securities Exchange Act or any successor provision thereto) more than 50% of the aggregate Voting Power of Parent; (b) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the board of directors of a Borrower (together with any new director whose election by such board of

directors or whose nomination for election by the shareholders of such Borrower was approved by vote of a majority of the directors of such Borrower then still in office who were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of such Borrower then in office; or (c) any "Change of Control," "Change in Control" or similar event or circumstance, however defined or designated, under the Tranche B Documentation shall occur.

Chapter 11 Debtors – collectively, the Credit Parties other than IES Reinsurance, Ltd.

Chattel Paper — shall have the meaning given to "chattel paper" in the UCC.

Chubb — Federal Insurance Company, an Indiana corporation, or any of its Affiliates or Subsidiaries.

Chubb Agreements – the agreements between the Credit Parties and Chubb listed on **Schedule 8.1.27**.

Chubb Intercreditor – that certain Intercreditor Agreement, dated as of the date hereof, among Chubb, Agent and certain Credit Parties, as amended, restated, supplemented or otherwise modified from time to time.

Claims — any and all claims, demands, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, awards, remedial response costs, expenses or disbursements of any kind or nature whatsoever (including reasonable attorneys', accountants', consultants' or paralegals' fees and expenses), whether arising under or in connection with the Loan Documents, any Applicable Law (including any Environmental Laws) or otherwise, that may now or hereafter be suffered or incurred by a Person and whether suffered or incurred in or as a result of any investigation, litigation, arbitration or other judicial or non-judicial proceeding or any appeals related thereto.

Closing Date — the date on which all of the conditions precedent in **Section 10** of the Agreement are satisfied or waived by Agent in writing.

Collateral — all of the Property and interests in Property described in **Section 6** of the Agreement, all Property described in any of the Security Documents as security for the payment or performance of any of the Obligations, and all other Property and interests in Property that now or hereafter secure (or are intended to secure) the payment and performance of any of the Obligations.

Commercial Borrowers – the Credit Parties listed on **Schedule D**.

Commercial EBIT – solely with respect to the Commercial Borrowers, with respect to any period of such Commercial Borrowers, on a Consolidated basis, Adjusted Net Earnings from Operations, plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for that period (but without duplication), interest expenses, Federal, state, local and foreign income taxes and other identified non-cash items not otherwise included which are acceptable to Agent.

Commitment — at any date for any Lender, the obligation of such Lender to make Revolver Loans and to purchase participations in LC Outstandings pursuant to the terms and conditions of the Agreement, which shall not exceed the principal amount set forth opposite such Lender's name under the heading "Commitment" on the signature pages of the Agreement or the

signature page of the Assignment and Acceptance by which it became a Lender, as modified from time to time pursuant to the terms of the Agreement or to give effect to any applicable Assignment and Acceptance; and “Commitments” means the aggregate principal amount of the Commitments of all Lenders, the maximum amount of which shall be \$80,000,000.

Commitment Termination Date — the date that is the soonest to occur of (i) the last day of the Original Term unless extended in writing by Agent and Lenders; (ii) the date on which either a Borrower or Agent terminates the Commitments pursuant to **Section 5.2** of the Agreement; or (iii) the date on which the Commitments are automatically terminated pursuant to **Section 11.2** of the Agreement.

Compliance Certificate — a Compliance Certificate to be provided by Parent to Agent in accordance with, and in the form annexed as Exhibit E to, the Agreement, and the supporting schedules to be annexed thereto.

Confirmation Order — shall have the meaning set forth in **Section 10.1.24** of the Agreement.

Consolidated — the consolidation in accordance with GAAP of the accounts or other items as to which such term applies.

Contingent Obligation — with respect to any Person, any obligation of such Person arising from any guaranty, indemnity or other assurance of payment or performance of any Debt, lease, dividend or other obligation (“primary obligations”) of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, including (i) the direct or indirect guaranty, endorsement (other than for collection or deposit in the Ordinary Course of Business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of a primary obligor, (ii) the obligation to make take-or-pay or similar payments, if required, regardless of nonperformance by any other party or parties to an agreement, (iii) any obligation of such Person, whether or not contingent, (A) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (B) to advance or supply funds (1) for the purchase or payment of any such primary obligations or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (C) to purchase Property, Securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (D) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation with respect to which such Contingent Obligation is made (or, if less, the maximum amount of such primary obligation for which such Person may be liable pursuant to the terms of the instrument evidencing such Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability with respect thereto (assuming such Person is required to perform thereunder), as determined by such Person in good faith.

Control or controlled by or under common control — possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of Voting Stock, by contract or otherwise, but not solely by being an officer or director of that Person); provided, however, that in any event any Person which beneficially owns, directly or indirectly, 10% or more (in number of votes) of the Equity Interests having ordinary Voting Power with respect to a corporation shall be conclusively presumed to control such corporation.

Controlled Disbursement Account — a demand deposit account maintained by Borrowers at Bank and to which proceeds of Loans will be wired from time to time.

Credit Party — any Borrower or Guarantor.

Credit Support — shall have the meaning specified in **Section 1.2.1** of the Agreement.

Debt — as applied to a Person means, without duplication: (i) all items which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person as of the date as of which Debt is to be determined, including Capitalized Lease Obligations; (ii) all Contingent Obligations of such Person; (iii) all reimbursement obligations in connection with letters of credit or letter of credit guaranties issued for the account of such Person; and (iv) in the case of Borrowers (without duplication), the Obligations and the Tranche B Loan. The Debt of a Person shall include any recourse Debt of any partnership or joint venture in which such Person is a general partner or joint venturer, except to the extent such Person is not liable pursuant to the terms of the documents related thereto.

Debtors — the Chapter 11 Debtors as reorganized debtors upon the Effective Date.

Default — an event or condition the occurrence of which would, with the lapse of time or the giving of notice, or both, become an Event of Default.

Default Rate — on any date, a fluctuating rate per annum which is equal to the interest rate otherwise in effect for such date plus 2%.

Deposit Accounts — all of a Person's demand, time, savings, passbook, money market or other depository accounts, and all certificates of deposit, maintained by such Person with any bank, savings and loan association, credit union or other depository institution.

DIP Agent — Bank of America, N.A., as "Agent" under the DIP Loan Agreement.

DIP Lenders — each "Lender" under the DIP Loan Agreement.

DIP Loan Agreement — that certain Debtor-In-Possession Loan and Security Agreement, dated as of February 14, 2006, among Chapter 11 Debtors, DIP Agent and DIP Lenders.

Disclosure Statement — the Second Amended Disclosure Statement for the Second Amended Joint Plan of Reorganization of Integrated Electrical Services, Inc. and Certain of Its Direct and Indirect Subsidiaries Under Chapter 11 of the Bankruptcy Code, dated as of March 17, 2006, approved by the Bankruptcy Court on March 10, 2006, describing the Reorganization Plan and distributed to certain holders of claims in connection with voting on the Reorganization Plan.

Distribution — in respect of any entity, (i) any payment of any dividends or other distributions on Equity Interests of the entity (except distributions in such Equity Interests) and (ii) any purchase, redemption or other acquisition or retirement for value of any Equity Interests of the entity or any Affiliate of the entity unless made contemporaneously from the net proceeds of the sale of Equity Interests.

Document — shall have the meaning given to "document" in the UCC.

Dollars and the sign \$ — lawful money of the United States of America.

Domestic Subsidiary — a Subsidiary of a Borrower (other than a Subsidiary that is a Borrower) that is incorporated under the laws of a state of the United States or the District of Columbia.

Dominion Account — a special account of Agent established by Borrowers at a bank selected by Borrowers, but reasonably acceptable to Agent and Lenders in their discretion, and over which Agent shall have sole and exclusive access and control for withdrawal purposes.

EBITDA — with respect to any period of the Credit Parties, on a consolidated basis, Adjusted Net Earnings from Operations, plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for that period (but without duplication), interest expenses, Federal, state, local and foreign income taxes, depreciation, amortization, non-cash compensation expenses, other identified non-cash items not otherwise included which are acceptable to Agent, any paid restructuring expenses (including professional fees) incurred in connection with the Bankruptcy Case, any unpaid restructuring expenses (including professional fees) incurred in connection with the Bankruptcy Case to the extent the amount of such unpaid expenses are not in excess of the sum of (a) the Restructuring Expenses Reserve and (b) Cash Collateral deposited in a Cash Collateral Account in excess of the amount required pursuant to **Section 9.4**, restructuring expenses up to \$8,600,000 related to impairments to Net Working Capital in connection with the Shutdown Subsidiaries, and expenses related to fees of Glass & Associates in an amount up to \$200,000 in any calendar month incurred in the first three calendar months after the Closing Date.

EBITDAR — with respect to any period of the Borrowers, on a consolidated basis, Adjusted Net Earnings from Operations, plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for that period (but without duplication), interest expenses, Federal, state, local and foreign income taxes, depreciation, amortization, non-cash compensation expenses, other identified non-cash items not otherwise included which are acceptable to Agent, and restructuring expenses (including professional fees and restructuring expenses up to \$8,600,000 related to impairments to Net Working Capital in connection with the Shutdown Subsidiaries).

Effective Date — shall have the same meaning as in the Reorganization Plan.

Eligible Account — an Account which arises in the Ordinary Course of Business of a Borrower's business from the sale of goods or rendition of services, is payable in Dollars, is subject to Agent's duly perfected Lien, and is deemed by Agent, in its sole credit judgment, to be an Eligible Account. Without limiting the generality of the foregoing, no Account shall be an Eligible Account if: (i) it arises out of a sale made by a Borrower to a Subsidiary or an Affiliate of any Borrower or to a Person controlled by an Affiliate of any Borrower; (ii) it is unpaid for more than 60 days after the original due date shown on the invoice; (iii) it is due or unpaid more than 90 days after the original invoice date; (iv) 50% or more of the Accounts from the Account Debtor are not deemed Eligible Accounts hereunder; (v) the total unpaid Accounts of the Account Debtor exceed 15% of the aggregate amount of all Eligible Accounts or exceed a credit limit established by Agent for such Account Debtor, in each case to the extent of such excess; (vi) any covenant, representation or warranty contained in the Agreement with respect to such Account has been breached; (vii) the Account Debtor is also a Borrower's creditor or supplier, or the Account Debtor has disputed liability with respect to such Account, or the Account Debtor has made any claim with respect to any other Account due from such Account Debtor to a Borrower, or the Account otherwise is or may become subject to any right of setoff, counterclaim, reserve or chargeback, provided that, the Accounts of such Account Debtor shall be ineligible only to the extent of such offset, counterclaim, disputed amount, reserve or chargeback; (viii) an Insolvency

Proceeding has been commenced by or against the Account Debtor or the Account Debtor has failed, suspended business or ceased to be Solvent; (ix) it arises from a sale to an Account Debtor with its principal office, assets or place of business outside the United States, unless the sale is backed by an irrevocable letter of credit issued or confirmed by a bank acceptable to Agent and that is in form and substance acceptable to Agent and payable in the full amount of the Account in freely convertible Dollars at a place of payment within the United States, and, if requested by Agent, such letter of credit, or amounts payable thereunder, is assigned to Agent; (x) it arises from a sale to the Account Debtor on a bill-and-hold, guaranteed sale, sale-or-return, sale-on-approval, consignment or any other repurchase or return basis; (xi) the Account Debtor is the United States of America or any department, agency or instrumentality thereof, unless such Borrower is not prohibited from assigning the Account and does assign its right to payment of such Account to Agent, in a manner satisfactory to Agent, so as to comply with the Assignment of Claims Act of 1940 (31 U.S.C. §3727 and 41 U.S.C. §15), or is a state, county or municipality, or a political subdivision or agency thereof and Applicable Law disallows or restricts an assignment of Accounts on which it is the Account Debtor; (xii) the Account Debtor is located in any state which imposes similar conditions on the right of a creditor to collect accounts receivable unless such Borrower has either qualified to transact business in such state as a foreign entity or filed a Notice of Business Activities Report or other required report with the appropriate officials in such state for the then current year; (xiii) the Account Debtor is located in a state in which such Borrower is deemed to be doing business under the laws of such state and which denies creditors access to its courts in the absence of qualification to transact business in such state or of the filing of any reports with such state, unless such Borrower has qualified as a foreign entity authorized to transact business in such state or has filed all required reports; (xiv) the Account is subject to a Lien other than a Permitted Lien; (xv) the goods giving rise to such Account have not been delivered to and accepted by the Account Debtor or the services giving rise to such Account have not been performed by such Borrower and accepted by the Account Debtor or the Account otherwise does not represent a final sale; (xvi) the Account is evidenced by Chattel Paper or an Instrument of any kind, or has been reduced to judgment; (xvii) any portion of an Account that represents a retainage or billings in excess of cost; (xviii) such Borrower has made any agreement with the Account Debtor for any deduction therefrom, except for discounts or allowances which are made in the Ordinary Course of Business for prompt payment and which discounts or allowances are reflected in the calculation of the face value of each invoice related to such Account, provided that such Account is ineligible only to the extent of the deduction; (xix) it is a non-trade Account, (xx) it is a Bonded Account or (xxi) the Account represents, in whole or in part, a billing for interest, fees or late charges, provided that such Account shall be ineligible only to the extent of the amount of such billing.

Eligible Assignee — a Lender or a U.S. based Affiliate of a Lender; a commercial bank organized under the laws of the United States or any state that has total assets in excess of \$2 billion and that is acceptable to Agent; and any other Person (except a Borrower or a Guarantor, or an Affiliate of either) approved by Agent and, unless a Default or an Event of Default exists, Parent (such approval by Parent, when required, not to be unreasonably withheld or delayed and to be deemed given by Parent if no objection is received by the assigning Lender and Agent from Parent within 2 Business Days after notice of such proposed assignment has been provided by the assigning Lender as set forth in **Section 13.3** of the Agreement).

Eligible Cash Collateral — cash representing proceeds of Collateral or proceeds from such other source of funding which is satisfactory to Agent, in its reasonable discretion, that is deposited into a demand deposit, money market or other account in Agent's name and subject to Agent's Liens, for the Pro Rata benefit of Lenders, and which cash deposit is in addition to and not in substitution for amounts previously deposited into the Cash Collateral Account pursuant to the provisions of **Sections 1.2.7**, of this Agreement or the provisions of **Sections 5.2.4** of this

Agreement; provided, however, the term “Eligible Cash Collateral” shall not include (i) any cash (a) to the extent Agent, on behalf of itself and the Lenders, does not have therein a valid, enforceable first priority Lien; (b) to the extent that any defense, counterclaim, setoff or dispute exists or is asserted with respect thereto; or (c) that it is subject to any Lien of any Person, other than (I) Liens in favor of Agent, on behalf of itself and Lenders, or (II) a subordinate Lien in favor of Tranche B Agent, but only to the extent such Lien is consistent with the provisions of **Section 9.2.5(xii)** of this Agreement, or that is not owned by a Credit Party, or (ii) any Cash Collateral described in the definition of “LC Reserve”.

Eligible Collateral – Eligible Accounts, Eligible Cash Collateral and Eligible Inventory.

Eligible Inventory — such Inventory of a Borrower (other than packaging materials, labels and supplies) which Agent, in its sole credit judgment, deems to be Eligible Inventory. Without limiting the generality of the foregoing, no Inventory shall be Eligible Inventory unless: (i) it is finished goods; (ii) it is owned by a Borrower and not held by it on consignment or other sale or return terms; (iii) it is in good, new and saleable condition and is not damaged or defective; (iv) it is not slow-moving, obsolete or unmerchantable and is not goods returned to a Borrower by or repossessed from an Account Debtor; (v) it meets all standards imposed by any Governmental Authority; (vi) it conforms in all respects to the warranties and representations set forth in the Agreement; (vii) it is at all times subject to Agent’s duly perfected, first priority security interest and no other Lien except a Permitted Lien; (viii) it is in a Borrower’s possession and control at a location in compliance with the Agreement, is not in transit or outside the continental United States and is not consigned to any Person; (ix) it is not the subject of a negotiable warehouse receipt or other negotiable Document; (x) it is not subject to any license agreement or other agreement that limits, conditions or restricts a Borrower’s or Agent’s right to sell or otherwise dispose of such Inventory unless the licensor has entered into a licensor/lender Agreement with Agent; (xi) it is not the subject of an Intellectual Property Claim and (xii) it is located at a location of Key Electrical Supply, Inc. or any other location governed by a perpetual inventory system satisfactory to Agent or other controls to properly account for on-hand inventory satisfactory to Agent.

Eligible Inventory Net Orderly Liquidation Value Amount – the “net orderly liquidation value” (less liquidation expenses) of the Eligible Inventory as determined by an appraisal satisfactory to Agent from time to time.

Enertech – Enertech Capital Partners II L.P.

Environmental Laws — all federal, state and local laws, rules, regulations, codes, ordinances, programs, permits, guidance documents promulgated by regulatory agencies, orders and consent decrees, now or hereafter in effect and relating to human health and safety or the protection or pollution of the environment, including CERCLA.

Environmental Release — a release as defined in CERCLA or under any applicable Environmental Laws.

Equipment — all of each Credit Party’s machinery, apparatus, equipment, fittings, furniture, fixtures, motor vehicles and other tangible personal Property (other than Inventory) of every kind and description, whether now owned or hereafter acquired by a Credit Party and wherever located, and all parts, accessories and special tools therefor, all accessions thereto, and all substitutions and replacements thereof.

Equity Interest — the interest of (i) a shareholder in a corporation, (ii) a partner (whether general or limited) in a partnership (whether general, limited or limited liability), (iii) a member in a limited liability company, or (iv) any other Person having any other form of equity security or ownership interest.

ERISA — the Employee Retirement Income Security Act of 1974, and all rules and regulations from time to time promulgated thereunder.

Event of Default — as defined in **Section 11** of the Agreement.

Excluded Cash Accounts — the deposit accounts maintained (i) by IES Reinsurance Ltd. with Bank of Butterfield under account number 3023730237 holding up to \$4,000,000 which is held to secure obligations of the Credit Parties, (ii) by IES Finance, Inc. with First American Bank under account number 335519729 holding up to \$4,050,000 which is held to pay payroll tax obligations, and (iii) by one or more Credit Parties constituting Sure Tec Bank Accounts (as defined in the Sure Tec Letter).

Excluded Collateral — the (i) Excluded Cash Accounts, (ii) the Surety Collateral to the extent (a) the issuer of the Surety Bond is Chubb or a co-surety of Chubb under the Chubb Agreements in effect on the Closing Date and (b) such Surety Collateral has not previously been included in a Borrowing Base Certificate delivered to Agent, (iii) the Borrower's partnership interest in Enertech, (iv) all cash collateral pledged to Chubb pursuant to the Chubb Agreements that is in the possession or under the control of Chubb, and (v) cash collateral pledged to Sureties (other than Chubb) up to an aggregate amount of \$2,000,000 (exclusive of any drawings under letters of credit issued for the benefit of such Surety) that is in the possession or under the control of such Surety; provided, however, that in no event shall Excluded Collateral include any amounts which from time to time may be in the Cash Collateral Account.

Extraordinary Expenses — all costs, expenses, fees or advances that Agent or any Lender may suffer or incur, whether prior to or after the occurrence of an Event of Default, and whether prior to, after or during the pendency of an Insolvency Proceeding of an Obligor, on account of or in connection with (i) the audit, inspection, repossession, storage, repair, appraisal, insuring, completion of the manufacture of, preparing for sale, advertising for sale, selling, collecting or otherwise preserving or realizing upon any Collateral; (ii) the defense of Agent's Lien upon any Collateral or the priority thereof or any adverse claim with respect to the Loans, the Loan Documents or the Collateral asserted by any Obligor, any receiver or trustee for any Obligor or any creditor or representative of creditors of any Obligor; (iii) the settlement or satisfaction of any Liens upon any Collateral (whether or not such Liens are Permitted Liens); (iv) the collection or enforcement of any of the Obligations; (v) the negotiation, documentation, and closing of any restructuring or forbearance agreement with respect to the Loan Documents or Obligations; (vi) amounts advanced by Agent pursuant to **Section 7.1.3** of the Agreement; (vii) the enforcement of any of the provisions of any of the Loan Documents; or (viii) any payment under a guaranty, indemnity or other payment agreement provided by Agent or (with Agent's consent) any Lender, which is reimbursable to Agent or such Lender by Borrower pursuant to **Section 2.4.2** of the Agreement. Such costs, expenses and advances may include transfer fees, taxes, storage fees, insurance costs, permit fees, utility reservation and standby fees, legal fees, appraisal fees, brokers' fees and commissions, auctioneers' fees and commissions, accountants' fees, environmental study fees, wages and salaries paid to employees of any or all Borrowers or independent contractors in liquidating any Collateral, travel expenses, all other fees and expenses payable or reimbursable by Borrowers or any other Obligor under any of the Loan Documents, and all other fees and expenses associated with the enforcement of rights or remedies under any

of the Loan Documents, but excluding compensation paid to employees (including inside legal counsel who are employees) of Agent.

Federal Funds Rate — for any period, a fluctuating interest rate per annum equal for each date during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) in Dallas, Texas by the Federal Reserve Bank of Dallas, or if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Agent from 3 federal funds brokers of recognized standing selected by Agent.

Fee Letter — the fee letter agreement between Agent and Parent dated on or about February 10, 2006.

FEIN — with respect to any Person, the Federal Employer Identification Number of such Person.

Final Order — an order or judgment of the Bankruptcy Court as entered on the docket, in form and substance satisfactory to Agent, that has not been reversed, stayed, modified or amended, and as to which the time to appeal, petition for certiorari, or seek reargument, or rehearing has expired and as to which no appeal, reargument, petition for certiorari, or rehearing is pending or as to which any right to appeal, reargue, petition for certiorari or seek rehearing has been waived in writing in a manner satisfactory to Agent or, if an appeal, reargument, petition for certiorari, or rehearing thereof has been sought, the order or judgment of the Bankruptcy Court has been affirmed by the highest court to which the order was appealed or from which the reargument or rehearing was sought, or certiorari has been denied, and the time to take any further appeal or seek certiorari or further reargument has expired.

Fiscal Quarter — each three-month period ending each March, June, September and December.

Fiscal Year — the fiscal year of Parent and its Subsidiaries for accounting and tax purposes, which ends on September 30 of each year.

Fixed Charge Coverage Ratio — the ratio of (i) the result of (a) (I) for fiscal periods occurring prior to the date of this Agreement, EBITDAR and (II) for all fiscal periods thereafter, EBITDA minus (b) Shutdown EBIT to (ii) Fixed Charges.

Fixed Charge Coverage Ratio Testing Date — as defined in **Section 9.3.1** of the Agreement.

Fixed Charges — with respect to any period of the Borrower on a consolidated basis, without duplication, cash interest expense, Capital Expenditures (excluding Capital Expenditures funded with Debt other than Revolving Loans, but including, without duplication, principal payments with respect to such Debt), principal payments of Debt (other than Revolving Loans and mandatory prepayments from asset sales) and Federal, state, local and foreign income taxes (including accrued taxes).

FLSA — the Fair Labor Standards Act of 1938.

Foreign Subsidiary — a Subsidiary that is not a Domestic Subsidiary.

Funding Account — an account established by Borrowers or any of them for receipt of proceeds of Loans or such other account as Borrowers may specify in writing.

GAAP — generally accepted accounting principles in the United States of America in effect from time to time.

General Intangibles — all general intangibles of a Credit Party, whether now owned or hereafter created or acquired by a Credit Party, including all choses in action, causes of action, company or other business records, inventions, blueprints, designs, patents, patent applications, trademarks, trademark applications, trade names, trade secrets, service marks, goodwill, brand names, copyrights, registrations, licenses, franchises, customer lists, permits, tax refund claims, computer programs, operational manuals, internet addresses and domain names, insurance refunds and premium rebates, all claims under guaranties, security interests or other security held by or granted to a Credit Party to secure payment of any of a Credit Party's Accounts by an Account Debtor, all rights to indemnification and all other intangible property of a Credit Party of every kind and nature (other than Accounts).

Goochland Project — that certain construction project that is the subject of an Agreement, dated December 12, 2003, by and between the County of Goochland, Virginia, as the owner and Bryant Electric Company, Inc., as the contractor.

Governmental Approvals — all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities.

Governmental Authority — any federal, state, municipal, national, foreign or other governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United States, the District of Columbia or a foreign entity or government.

Guarantors — the Persons on **Annex II** attached to the Agreement and each other Person who guarantees payment or performance of the whole or any part of the Obligations.

Guaranty — (i) the agreements of the Guarantors set forth in **Section 15** of the Agreement and (ii) each other guaranty agreement now or hereafter executed by a Guarantor in favor of Agent with respect to any of the Obligations.

Indemnified Amount — in the case of Agent Indemnitees, the amount of any loss, cost, expenses or damages suffered or incurred by Agent Indemnitees and against which Lenders or any Obligor have agreed to indemnify Agent Indemnitees pursuant to the terms of the Agreement or any of the other Loan Documents; and in the case of Lender Indemnitees, the amount of any loss, cost, expenses or damages suffered or incurred by Lender Indemnitees and against which Lenders or any Obligor have agreed to indemnify Lender Indemnitees pursuant to the terms of the Agreement or any of the other Loan Documents.

Indemnitees — the Agent Indemnitees and the Lender Indemnitees.

Initial Lenders — Bank of America, N.A., Wells Fargo Foothill, LLC and The CIT Group/Business Credit, Inc. as the Lenders on the date hereof.

Insolvency Proceeding — any action, case or proceeding commenced by or against a Person, or any agreement of such Person, for (i) the entry of an order for relief under any chapter of the Bankruptcy Code or other insolvency or debt adjustment law (whether state, federal or foreign), (ii) the appointment of a receiver, trustee, liquidator or other custodian for such Person or any part of its Property, (iii) an assignment or trust mortgage for the benefit of creditors of such Person, or (iv) the liquidation, dissolution or winding up of the affairs of such Person.

Instrument — shall have the meaning ascribed to the term “instrument” in the UCC.

Intellectual Property — Property constituting under any Applicable Law a patent, patent application, copyright, trademark, service mark, trade name, mask work, trade secret or license or other right to use any of the foregoing.

Intellectual Property Claim — the assertion by any Person of a claim (whether asserted in writing, by action, suit or proceeding or otherwise) that a Borrower’s ownership, use, marketing, sale or distribution of any Inventory, Equipment, Intellectual Property or other Property is violative of any ownership or other right to use any Intellectual Property of such Person.

Intercreditor Agreement — the Intercreditor Agreement dated as of the date hereof, among the Tranche B Agent, Agent and Credit Parties, pursuant to which, among other things, the liens and security interests in any property securing the Tranche B Loan are subordinated to the liens and security interests therein of Agent, for benefit of Lenders, to the extent provided therein, as amended, restated, supplemented or otherwise modified from time to time.

Interest Period — shall have the meaning ascribed to it in **Section 2.1.3** of the Agreement.

Interest Rate Contract — any interest rate agreement, interest rate collar agreement, interest rate swap agreement, or other agreement or arrangement at any time entered into by a Borrower with Bank that is designed to protect against fluctuations in interest rates.

Inventory — all of a Credit Party’s inventory, whether now owned or hereafter acquired, including all goods intended for sale or lease by a Credit Party, to be furnished by a Credit Party under contracts of service, or for display or demonstration; all work in process; all raw materials and other materials and supplies of every nature and description used or which might be used in connection with the manufacture, printing, packing, shipping, advertising, selling, leasing or furnishing of such goods or otherwise used or consumed in a Credit Party’s business; and all Documents evidencing and General Intangibles relating to any of the foregoing, whether now owned or hereafter acquired by a Credit Party.

Inventory Formula Amount — on any date of determination thereof, an amount equal to the lesser of (i) \$10,000,000 or (ii) the lesser of (a) 65% of the Value of Eligible Inventory on such date and (b) 85% of the Eligible Inventory Net Orderly Liquidation Value Amount on such date.

Investment Property — shall have the meaning given to “investment property” in the UCC and shall include all Securities (whether certificated or uncertificated), security entitlements, securities accounts, commodity contracts and commodity accounts.

Landlord Waiver — an agreement duly executed in favor of Agent, in form and content acceptable to Agent, by which an owner or mortgagee of premises upon which any Property of an Obligor is located agrees to waive or subordinate any Lien it may have with respect to

such Property in favor of Agent's Lien therein and to permit Agent to enter upon such premises and to remove such Property or to use such premises to store or dispose of such Property.

LC Outstandings — on any date of determination thereof, an amount (in Dollars) equal to the sum of (i) all amounts then due and payable by any Obligor on such date by reason of any payment made on or before such date by Agent under any Credit Support **plus** (ii) the aggregate undrawn amount of all Letters of Credit then outstanding or to be issued by Letter of Credit Issuer under a Letter of Credit application theretofore submitted to Letter of Credit Issuer.

LC Reserve — at any date, the aggregate of all LC Outstandings outstanding on such date, other than LC Outstandings that are fully secured (in an amount of 100% of such LC Outstandings) by Cash Collateral pursuant to reasonable terms established by Agent.

Lender Indemnitee — a Lender in its capacity as a lender under the Agreement and its present and future officers, directors, employees, agents and attorneys.

Lenders — Bank of America, N.A. (whether in its capacity as a provider of Loans under **Section 1** of the Agreement, or as the provider of Settlement Loans under **Section 3.1.3** of the Agreement or as the procurer of Letters of Credit under **Section 1.2** of the Agreement) and any other Person who may from time to time become a "Lender" under the Agreement, and their respective successors and permitted assigns.

Letter of Credit — shall have the meaning specified in **Section 1.2.1**.

Letter of Credit Issuer — the Bank, any Affiliate of the Bank or any other financial institution that issues any Letter of Credit pursuant to this Agreement.

Letter of Credit Subfacility — \$72,000,000.

Leverage Ratio — the ratio of (i) the sum of (a) Debt outstanding under this Agreement **plus** (b) LC Outstandings **plus** (c) Debt outstanding under the Tranche B Agreement **minus** (d) Eligible Cash Collateral to (ii) (A) for fiscal periods occurring prior to the date of this Agreement, EBITDAR and (B) for all fiscal periods thereafter, EBITDA.

Leverage Ratio Testing Date — as defined in **Section 9.3.2** of the Agreement.

LIBOR Lending Office — with respect to a Lender, the office designated as a LIBOR Lending Office for such Lender on the signature page hereof (or on any Assignment and Acceptance, in the case of an assignee) and such other office of such Lender or any of its Affiliates that is hereafter designated by written notice to Agent.

LIBOR Loan — a Loan, or portion thereof, during any period in which it bears interest at a rate based upon the applicable Adjusted LIBOR Rate.

LIBOR Rate — with respect to an Interest Period, the rate per annum reported to Agent by Bank as the rate at which deposits of U.S. Dollars approximately equal in principal amount to or comparable to the amount of the LIBOR Loan to which such Interest Period relates and for a term comparable to such Interest Period are offered to Bank by prime banks in the London interbank foreign currency deposits market at approximately 11:00 a.m., London time, 2 Business Days prior to the commencement of such Interest Period. Each determination by Agent of any LIBOR Rate shall, in the absence of any manifest error, be conclusive.

Lien — any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on common law, statute or contract. The term “Lien” shall also include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purpose of the Agreement, each Credit Party shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

Loan — a Revolver Loan (and each Base Rate Loan and LIBOR Loan comprising such Loan).

Loan Account — the loan account established by each Lender on its books pursuant to **Section 4.8** of the Agreement.

Loan Documents — the Agreement, the Other Agreements and the Security Documents.

Loan Year — a period commencing each calendar year on the same month and day as the date of the Agreement and ending on the same month and day in the immediately succeeding calendar year, with the first such period (i.e. the first Loan Year) to commence on the date of the Agreement.

Margin Stock — shall have the meaning ascribed to it in Regulation U of the Board of Governors.

Material Adverse Effect — the effect of any event or condition which, alone or when taken together with other events or conditions occurring or existing concurrently therewith, (i) has a material adverse effect upon the business, operations, Properties or condition (financial or otherwise) of the Credit Parties collectively; (ii) has or may be reasonably expected to have any material adverse effect whatsoever upon the validity or enforceability of the Agreement or any of the other Loan Documents; (iii) has any material adverse effect upon the value of the whole or any material part of the Collateral, the Liens of Agent with respect to the Collateral or the priority of any such Liens; (iv) materially impairs the ability of any Obligor to perform its obligations under this Agreement or any of the other Loan Documents, including repayment of any of the Obligations when due; or (v) materially impairs the ability of Agent or any Lender to enforce or collect the Obligations or realize upon any of the Collateral in accordance with the Loan Documents and Applicable Law.

Material Contract — an agreement to which an Obligor is a party (other than the Loan Documents and the Tranche B Documentation) (i) which is deemed to be a material contract as provided in Regulation S-K promulgated by the SEC under the Securities Act of 1933 or (ii) for which breach, termination, cancellation, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect.

Maximum Rate — the maximum non-usurious rate of interest permitted by Applicable Law that at any time, or from time to time, may be contracted for, taken, reserved, charged or received on the Debt in question or, to the extent that at any time Applicable Law may thereafter permit a higher maximum non-usurious rate of interest, then such higher rate. Notwithstanding any other provision hereof, the Maximum Rate shall be calculated on a daily basis (computed on the actual number of days elapsed over a year of 365 or 366 days, as the case may be). On each day, if any, that Texas law establishes the Maximum Rate, the Maximum Rate shall be the “weekly ceiling” (as defined in the Texas Finance Code) for that day.

Modified Net Working Capital — at any date of determination, without duplication, (i) the sum, for any Person and its Consolidated Subsidiaries, of (A) the unpaid face amount (including retentions) of all Accounts of such Person and its Consolidated Subsidiaries as at such date of determination, plus (B) the amount of all Inventory of such Person and its Consolidated Subsidiaries as at such date of determination, plus (C) the aggregate amount of all contract underbillings of such Person and its Consolidated Subsidiaries as at such date of determination, minus (ii) the sum, for such Person and its Consolidated Subsidiaries, of (A) the aggregate amount of all contract overbillings of such Person and its Consolidated Subsidiaries as at such date of determination, plus (B) the aggregate amount of outstanding and unpaid claims up to \$3,000,000 of such Person and its Consolidated Subsidiaries related to the Goochland Project, in each case determined on a Consolidated basis in accordance with GAAP.

Money Borrowed — as applied to any Person, (i) Debt arising from the lending of money by any other Person to such Person; (ii) Debt, whether or not in any such case arising from the lending of money by another Person to such Person, (A) which is represented by notes payable or drafts accepted that evidence extensions of credit, (B) which constitutes obligations evidenced by bonds, debentures, notes or similar instruments, or (C) upon which interest charges are customarily paid (other than accounts payable) or that was issued or assumed as full or partial payment for Property; (iii) Debt that constitutes a Capitalized Lease Obligation; (iv) reimbursement obligations with respect to letters of credit or guaranties of letters of credit and (v) Debt of such Person under any guaranty of obligations that would constitute Debt for Money Borrowed under clauses (i) through (iii) hereof, if owed directly by such Person.

Moody's — Moody's Investors Services, Inc.

Mortgage — collectively, each mortgage, deed of trust or deed to secure debt executed or to be executed by the relevant Borrower in favor of Agent and by which such Borrower shall grant and convey to Agent, for its benefit as Agent and for the Pro Rata benefit of Lenders, Liens upon all the Real Estate of such Borrower, as security for the payment of the Obligations.

Multiemployer Plan — has the meaning set forth in Section 4001(a)(3) of ERISA.

Net Proceeds -with respect to a disposition of any Collateral, proceeds (including cash receivable (when received) by way of deferred payment) received by a Credit Party in cash from the sale, lease, transfer or other disposition of any Property, including insurance proceeds and awards of compensation received with respect to the destruction or condemnation of all or part of such Property, net of: (i) the reasonable and customary costs of such sale, lease, transfer or other disposition (including, for example, legal fees, taxes and sales commissions); and (ii) amounts applied to repayment of Debt (other than the Obligations) secured by a Permitted Lien on the Collateral disposed of that is senior to Agent's Liens with respect to such Collateral.

Net Working Capital — at any date of determination, without duplication, (i) the sum, for any Person and its Consolidated Subsidiaries, of (A) cash or Cash Equivalents of such Person and its Consolidated Subsidiaries as at such date of determination, plus (B) the unpaid face amount of all Accounts of such Person and its Consolidated Subsidiaries as at such date of determination, plus (C) the amount of all Inventory of such Person and its Consolidated Subsidiaries as at such date of determination, plus (D) the aggregate amount of all contract underbillings of such Person and its Consolidated Subsidiaries as at such date of determination, plus (E) the aggregate amount of prepaid expenses of such Person and its Consolidated Subsidiaries as at such date of determination, plus (F) the aggregate amount of all prepaid items to Chubb of such Person and its Consolidated Subsidiaries as at such date of determination, minus (ii) the sum, for such Person and its Consolidated Subsidiaries, of (A) the aggregate amount of Debt outstanding under this

Agreement as at such date of determination, plus (B) the unpaid amount of all accounts payable of such Person and its Consolidated Subsidiaries as at such date of determination, plus (C) the aggregate amount of all accrued expenses of such Person and its Consolidated Subsidiaries as at such date of determination, plus (D) the aggregate amount of all contract overbillings of such Person and its Consolidated Subsidiaries as at such date of determination (but, excluding from accounts payable and accrued expenses, the current portion of long-term Debt and all accrued interest and Federal, state, local and foreign income taxes), plus (E) the aggregate amount of accrued contract losses of such Person and its Consolidated Subsidiaries as at such date of determination, plus (F) the aggregate amount of all restructuring expenses (including professional fees) incurred in connection with the Bankruptcy Case and unpaid by such Person and its Consolidated Subsidiaries as at such date of determination, in each case determined on a Consolidated basis in accordance with GAAP.

Notes — each Revolver Note and any other promissory note executed by Borrowers at Agent's request to evidence any of the Obligations.

Notice of Borrowing — as defined in **Section 3.1.1(i)** of the Agreement.

Notice of Conversion/Continuation — as defined in **Section 2.1.2(ii)** of the Agreement.

Obligations — in each case, whether now in existence or hereafter arising, (i) the principal of, and interest and premium, if any, on, the Loans; (ii) all LC Outstandings and all other obligations of any Obligor to Agent or any Letter of Credit Issuer arising in connection with the issuance of any Letter of Credit; (iii) all Debt and other obligations of any Borrower under or in connection with any Interest Rate Contract, including any premature termination or breakage costs; and (iv) all other Debts, covenants, duties and obligations (including Contingent Obligations) now or at any time or times hereafter owing by any Borrower to Agent or any Lender under or pursuant to the Agreement or any of the other Loan Documents, whether evidenced by any note or other writing, whether arising from any extension of credit, opening of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise and whether direct or indirect, absolute or contingent, due or to become due, primary or secondary, or joint or several, including all interest, charges, expenses, fees or other sums (including Extraordinary Expenses) chargeable to any or all Obligors under the Agreement or under any of the other Loan Documents. "Obligations" include, without limitation, (a) all debts, liabilities and obligations now or hereafter arising from or in connection with the Letters of Credit, and (b) all debts, liabilities, and obligations now or hereafter arising from or in connection with Bank Products.

Obligor — each Borrower and each Guarantor, and any other Person that is at any time liable for the payment of the whole or any part of the Obligations or that has granted in favor of Agent a Lien upon any of any of such Person's assets to secure payment of any of the Obligations.

Ordinary Course of Business — with respect to any transaction involving any Person, the ordinary course of such Person's business, as conducted by such Person in accordance with past practices and undertaken by such Person in good faith and not for the purpose of evading any covenant or restriction in any Loan Document.

Organization Documents — with respect to any Person, its charter, certificate or articles of incorporation, bylaws, articles of organization, operating agreement, members agreement, partnership agreement, voting trust, or similar agreement or instrument governing the formation or operation of such Person.

Original Term — as defined in **Section 5.1** of the Agreement.

OSHA — the Occupational Safety and Hazard Act of 1970.

Other Agreements — the Notes, each Credit Support, the Fee Letter, the Intercreditor Agreement, each Interest Rate Contract with Agent or with Bank and subject to credit enhancement from Agent, and any and all agreements, instruments and documents (other than the Agreement and the Security Documents), heretofore, now or hereafter executed by any Borrower, any other Obligor or any other Person and delivered to Agent or any Lender in respect of the transactions contemplated by the Agreement.

Out-of-Formula Condition — as defined in **Section 1.1.2** of the Agreement.

Out-of-Formula Loan — a Revolver Loan made when an Out-of-Formula Condition exists or the amount of any Revolver Loan which, when funded, results in an Out-of-Formula Condition.

Participant — as defined in **Section 13.2.1** of the Agreement.

Participating Lender — as defined in **Section 1.2.8(ii)** of the Agreement.

Payment Account — an account maintained by Agent to which all monies from time to time deposited to a Dominion Account shall be transferred and all other payments shall be sent in immediately available federal funds.

Payment Items — all checks, drafts, or other items of payment payable to a Borrower, including proceeds of any of the Collateral.

Pending Revolver Loans — at any date, the aggregate principal amount of all Revolver Loans which have been requested in any Notice of Borrowing received by Agent but which have not theretofore been advanced by Agent or Lenders.

Permitted Capitalized Lease Obligations — Capitalized Lease Obligations of a Borrower and its Subsidiaries in an amount outstanding at any time which does not exceed \$2,000,000.

Permitted Contingent Obligations — Contingent Obligations arising from endorsements for collection or deposit in the Ordinary Course of Business; Contingent Obligations arising from Interest Rate Contracts entered into in the Ordinary Course of Business pursuant to the Agreement or with Agent's prior written consent; Contingent Obligations of a Borrower and its Subsidiaries existing as of the Closing Date, including extensions and renewals thereof that do not increase the amount of such Contingent Obligations as of the date of such extension or renewal; Contingent Obligations incurred in the Ordinary Course of Business with respect to surety bonds, appeal bonds, performance bonds and other similar obligations; Contingent Obligations arising under indemnity agreements to title insurers to cause such title insurers to issue to Agent policies; Contingent Obligations with respect to customary indemnification obligations in favor of purchasers in connection with dispositions of Equipment permitted under **Section 7.4.2** of the Agreement; Contingent Obligations constituting indemnification obligations incurred in the Ordinary Course of Business with customers, contractors, owners and subcontractors; Contingent Obligations in connection with the Tranche B Loan; and other Contingent Obligations not to exceed \$500,000 in the aggregate at any time.

Permitted Lien — as defined in **Section 9.2.5** of the Agreement.

Permitted Purchase Money Debt — Purchase Money Debt of a Borrower and its Subsidiaries which is secured by no Lien or only by a Purchase Money Lien, provided that the aggregate amount of Purchase Money Debt outstanding at any time does not exceed \$2,000,000 and the incurrence of such Purchase Money Debt does not violate any limitation in the Loan Documents regarding Capital Expenditures. For the purposes of this definition, the principal amount of any Purchase Money Debt consisting of capitalized leases shall be computed as a Capitalized Lease Obligation.

Person — an individual, partnership, corporation, limited liability company, limited liability partnership, joint stock company, land trust, business trust, or unincorporated organization, or a Governmental Authority.

Plan — an employee benefit plan now or hereafter maintained for employees of any or all Borrowers that is covered by Title IV of ERISA.

Pledge Agreement — any agreement granting Agent a security interest in the Equity Interest of any Subsidiary (direct or indirect) of Parent, in each case to secure the Obligations.

Principal Stockholders — Fidelity Management & Research Co., Southpoint Capital Advisors LP, Tontine Capital Partners L.P. and their respective Affiliates.

Pro Rata — a share of or in all Loans, participations in LC Outstandings, liabilities, payments, proceeds, collections, Collateral and Extraordinary Expenses, which share for any Lender on any date shall be a percentage (expressed as a decimal, rounded to the ninth decimal place) arrived at by dividing the amount of the Commitment of such Lender on such date by the aggregate amount of the Commitments of all Lenders on such date.

Proceeds — as defined in **Section 9.2.5(xi)** of the Agreement.

Project Contract — means any existing or future contract of a Credit Party (i) in respect of which a materials or service provider to, or subcontractor of, such Credit Party is eligible to assert a mechanic's or materialman's lien or other similar Lien, or (ii) in respect of which a Surety Bond has been issued.

Projections — Borrowers' forecasted (a) Consolidated and consolidating balance sheets, profit and loss statements, cash flow statements, and capitalization statements (provided that cash flow statements and capitalization statements are not prepared on a consolidating basis), all prepared on a consistent basis with Borrowers' historical financial statements, together with (b) appropriate supporting details and a statement of underlying assumptions, a projection of the Borrowing Base and Availability, all as reasonably requested by Agent.

Properly Contested — in the case of any Debt of an Obligor (including any Taxes) that is not paid as and when due or payable by reason of such Obligor's bona fide dispute concerning its liability to pay same or concerning the amount thereof, (i) such Debt is being properly contested in good faith by appropriate proceedings promptly instituted and diligently conducted; (ii) such Obligor has established appropriate reserves as shall be required in conformity with GAAP, (iii) the non-payment of such Debt will not have a Material Adverse Effect and will not result in a forfeiture of any material assets of such Obligor; (iv) no Lien is imposed upon any of such Obligor's assets with respect to such Debt unless such Lien is at all times junior and subordinate in priority to the Liens in favor of Agent (except only with respect to property taxes that have priority as a matter of applicable state law) and enforcement of such Lien is stayed during the period prior to the final resolution or disposition of such dispute; (v) if the Debt results from, or is

determined by the entry, rendition or issuance against an Obligor or any of its assets of a judgment, writ, order or decree, enforcement of such judgment, writ, order or decree is stayed pending a timely appeal or other judicial review; and (vi) if such contest is abandoned, settled or determined adversely (in whole or in part) to such Obligor, such Obligor forthwith pays such Debt and all penalties, interest and other amounts due in connection therewith.

Property — any interest in any kind of property or asset, whether real, personal or mixed and whether tangible or intangible.

Purchase Money Debt — means and includes (i) Debt (other than the Obligations) for the payment of all or any part of the purchase price of any fixed assets, (ii) any Debt (other than the Obligations) incurred at the time of or within 10 days prior to or after the acquisition of any fixed assets for the purpose of financing all or any part of the purchase price thereof, and (iii) any renewals, extensions or refinancings (but not any increases in the principal amounts) thereof outstanding at the time.

Purchase Money Lien — a Lien upon fixed assets which secures Purchase Money Debt, but only if such Lien shall at all times be confined solely to the fixed assets acquired through the incurrence of the Purchase Money Debt secured by such Lien and such Lien constitutes a purchase money security interest under the UCC.

Real Estate — all parcels or tracts of real Property owned by Borrowers located in the United States, including, without limitation, located in Texas, South Carolina, Tennessee and Maryland.

Refinancing Conditions — the following conditions, each of which must be satisfied before Refinancing Debt shall be permitted under **Section 9.2.3** of the Agreement: (i) the Refinancing Debt is in an aggregate principal amount that does not exceed the aggregate principal amount of the Debt being extended, renewed or refinanced plus any premium payable in connection therewith, (ii) the Refinancing Debt has a later or equal final maturity and a longer or equal weighted average life (based on the earliest call date thereof) than the Debt being extended, renewed or refinanced, (iii) the Refinancing Debt does not bear a rate of interest that exceeds a market rate (as determined in good faith by a Senior Officer) as of the date of such extension, renewal or refinancing, (iv) if the Debt being extended, renewed or refinanced, or any Lien associated therewith, is subordinate to the Obligations, or the Liens granted hereunder, the Refinancing Debt, or any Lien associated with the Refinancing Debt, is subordinated to the same extent, (v) the covenants contained in any instrument or agreement relating to the Refinancing Debt are no less favorable to Borrowers than those relating to the Debt being extended, renewed or refinanced, and (vi) at the time of and after giving effect to such extension, renewal or refinancing, no Default or Event of Default shall exist.

Refinancing Debt — Debt for Money Borrowed that is permitted by **Section 9.2.3** and that is the subject of the result of an extension, renewal or refinancing.

Regulation D — Regulation D of the Board of Governors.

Register — the register maintained by Agent in accordance with **Section 4.8.2** of the Agreement.

Rentals — as defined in **Section 9.2.14** of the Agreement.

Reorganization Plan – the Second Amended Joint Plan of Reorganization dated March 17, 2006, of the Debtors in the Bankruptcy Case, in form and substance satisfactory to Agent.

Reportable Event — any of the events set forth in Section 4043(b) of ERISA.

Required Lenders — at any date of determination thereof, Lenders (excluding each Lender that is in breach of its obligations under the Agreement) having Commitments representing more than 50% of the aggregate Commitments at such time; provided further, however, that if the Commitments have been terminated, the term “Required Lenders” shall mean Lenders (excluding each Lender that is in breach of its obligations hereunder) holding Loans (including Settlement Loans) representing more than 50% of the aggregate principal amount of Loans (including Settlement Loans) outstanding at such time.

Residential Borrowers – the Credit Parties listed on Schedule E.

Residential EBIT – solely with respect to the Residential Borrowers, with respect to any period of such Residential Borrowers, on a Consolidated basis, Adjusted Net Earnings from Operations, plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for that period (but without duplication), interest expenses, Federal, state, local and foreign income taxes and other identified non-cash items not otherwise included which are acceptable to Agent.

Restricted Investment — any acquisition of Property by a Credit Party or any of its Subsidiaries in exchange for cash or other Property, whether in the form of an acquisition of Equity Interests or Debt, or the purchase or acquisition by a Credit Party or any Subsidiary of any other Property, or a loan, advance, capital contribution or subscription, except acquisitions of the following: (i) fixed assets to be used in the Ordinary Course of Business of a Credit Party or any Subsidiary; (ii) goods held for sale or lease or to be used in the manufacture of goods or the provision of services by a Credit Party or any Subsidiary in the Ordinary Course of Business; (iii) Current Assets arising from the sale or lease of goods or the rendition of services in the Ordinary Course of Business of a Credit Party or any of its Subsidiaries; (iv) investments in Subsidiaries; (v) Cash Equivalents to the extent they are not subject to rights of offset in favor of any Person other than Agent or a Lender; and (vi) loans and other advances of money to the extent not prohibited by **Section 9.2.2**.

Restricted Subsidiary — any one or more of the Guarantors listed on Schedule B.

Restrictive Agreement — an agreement (other than any of the Loan Documents or any of the Tranche B Documentation) that, if and for so long as an Obligor or any Subsidiary of such Obligor is a party thereto, would prohibit, condition or restrict such Obligor’s or Subsidiary’s right to incur or repay Debt for Money Borrowed (including any of the Obligations); grant Liens upon any of such Obligor’s or Subsidiary’s assets (including Liens granted in favor of Agent pursuant to the Loan Documents and to the Tranche B Agent pursuant to the Tranche B Documentation); declare or make Distributions; amend, modify, extend or renew any agreement evidencing Debt for Money Borrowed (including any of the Loan Documents); or repay any Debt owed to any Obligor.

Restructuring Expenses Reserve — on any date of determination thereof, an amount equal to the difference of (i) the sum of all restructuring expenses (including professional fees) incurred in connection with the Bankruptcy Case and unpaid by the Credit Parties as of such date less (ii) the aggregate amount of Cash Collateral on deposit in all Cash Collateral Accounts in excess of

\$20,000,000 on such date. If at any date of determination the aggregate amount of Cash Collateral on deposit in all Cash Collateral Accounts in excess of \$20,000,000 on such date is greater than the sum of all restructuring expenses (including professional fees) incurred in connection with the Bankruptcy Case and unpaid by the Credit Parties as of such date, then the Restructuring Expenses Reserve shall be \$0.

Revolver Loan — a Loan made by Lenders as provided in **Section 1.1** of the Agreement (including any Out-of-Formula Loan) or a Settlement Loan funded solely by Agent.

Revolver Note — a Revolver Note to be executed by Borrowers in favor of each Lender in the form of **Exhibit A** attached hereto, which shall be in the face amount of such Lender's Commitment and which shall evidence all Revolver Loans made by such Lender to Borrowers pursuant to the Agreement.

S&P — Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc.

Scarborough — Edmund C. Scarborough in his capacity as an individual Surety.

Scarborough Letter — that certain letter agreement, dated as of March 22, 2006, among Scarborough, Borrowers and Agent, as amended or supplemented from time to time.

Schedule of Accounts — as defined in **Section 7.2.1** of the Agreement.

SEC — Securities and Exchange Commission.

Security — shall have the same meaning as in Section 2(1) of the Securities Act of 1933.

Security Documents — the Pledge Agreements and all other instruments and agreements now or at any time hereafter securing the whole or any part of the Obligations.

Senior Convertible Notes — the Series A 6.5% Senior Convertible Notes and Series B 6.5% Senior Convertible Notes, each due 2014 and each issued by Parent, together with the subsidiary guarantees thereof.

Senior Officer — the chairman of the board of directors, the president or the chief financial officer of, or the general counsel to Parent.

Senior Subordinated Notes — the 9 3/8% Senior Subordinated Notes due 2009 issued by Parent, together with the subsidiary guarantees thereof.

Settlement Date — as defined in **Section 3.1.3(i)** of the Agreement.

Settlement Loan — as defined in **Section 3.1.3(ii)** of the Agreement.

Settlement Report — a report delivered by Agent to Lenders summarizing the amount of the outstanding Revolver Loans as of the Settlement Date and the calculation of the Borrowing Base as of such Settlement Date.

Shutdown EBIT — solely with respect to the Shutdown Subsidiaries, with respect to any period of such Shutdown Subsidiaries, on a Consolidated basis, Adjusted Net Earnings from Operations, plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for that period (but without duplication), interest expenses, Federal, state, local and

foreign income taxes and other identified non-cash items not otherwise included which are acceptable to Agent.

Shutdown Subsidiaries – the Subsidiaries of Parent listed on Schedule C.

Solvent — as to any Person, such Person (i) owns Property whose fair saleable value is greater than the amount required to pay all of such Person's Debts (including contingent Debts), (ii) is able to pay all of its Debts as such Debts mature, (iii) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage; and (iv) is not "insolvent" within the meaning of Section 101(32) of the Bankruptcy Code; in each case specifically excluding any inter-company accounts.

Statutory Reserves — on any date, the percentage (expressed as a decimal) established by the Board of Governors which is the then stated maximum rate for all reserves (including any emergency, supplemental or other marginal reserve requirements) applicable to any member bank of the Federal Reserve System in respect to Eurocurrency Liabilities (or any successor category of liabilities under Regulation D). Such reserve percentage shall include those imposed pursuant to Regulation D. The Statutory Reserve shall be adjusted automatically on and as of the effective date of any change in such percentage.

Subordinated Debt — Debt of any or all Borrowers that is fully and absolutely subordinated in right of payment to the Obligations in a manner satisfactory to Agent.

Subsidiary — any Person in which more than 50% of its outstanding Voting Stock or more than 50% of all Equity Interests is owned directly or indirectly by a Borrower, by one or more other Subsidiaries of a Borrower or by a Borrower and one or more other Subsidiaries.

Sure Tec – Sure Tec Insurance Company, or any of its Affiliates or Subsidiaries.

Sure Tec Letter – that certain letter agreement, dated as of October 14, 2005, between Parent and Agent, as amended or supplemented from time to time.

Surety – any Person who issues a Surety Bond.

Surety Bond – any surety bond, insurance policy, indemnity agreement, guaranty, letter of credit or other instrument provided by a third party (that is, excluding an Affiliate of the obligor) to an obligee to assure the payment by and/or performance of an obligor.

Surety Collateral — (a) all of the right, title and interest of the Borrowers in and to all existing and future Bonded Contracts and associated contract rights; (b) Bonded Accounts; (c) all claims, rights and choses in action against any account debtor on any Surety Bond or against any other Person with respect to any Surety Bond or Bonded Contract; (d) to the extent assignable (other than to the extent that any such prohibition and assignment term would be rendered ineffective pursuant to applicable law) all rights and actions that any Borrower may have or acquire in any subcontract, purchase order or other agreement in connection with any Bonded Contract, and against any subcontract, purchase order or other agreement with any Person furnishing or agreeing to furnish or supply vehicles, labor, supplies, machinery or other inventory or equipment in connection with or on account of any Bonded Contract, and against any surety or sureties of any such subcontractor, laborer or other Person; (e) Bonded Equipment; (f) Bonded Inventory; (g) any and all books, accounts, computer software and other computer-stored information, and any and all drawings, plans, specifications, shop and as-built drawings, in each case, used in or necessary to fully perform all obligations and services required of any Borrower

under the Bonded Contracts; (h) all progress schedules, work in process schedules (including, but not limited to, estimates of completion costs), accounts receivable ledgers, accounts payable ledgers and estimates of completion costs relating to any and all Bonded Contracts, and (i) any and all proceeds (other than such proceeds which are negotiable instruments or cash or Cash Equivalents in the possession or control of Agent) remaining due to Borrowers and products arising with respect thereto.

Taxes — any present or future taxes, levies, imposts, duties, fees, assessments, deductions, withholdings or other charges of whatever nature, including income, receipts, excise, property, sales, use, transfer, license, payroll, withholding, social security and franchise taxes now or hereafter imposed or levied by the United States or any other Governmental Authority and all interest, penalties, additions to tax and similar liabilities with respect thereto, but excluding, in the case of each Lender, taxes imposed on or measured by the net income or overall gross receipts of such Lender.

Tranche B Agent — Wilmington Trust Company, in its capacity as agent for the Tranche B Lenders, and any successor in such capacity.

Tranche B Lenders — the lenders from time to time party to the Tranche B Agreement.

Tranche B Agreement — that certain Term Loan Agreement, dated as of the date hereof, by and among Parent, Tranche B Agent and the Tranche B Lenders, as the same may be amended, restated, supplemented, refinanced, replaced or otherwise modified from time to time.

Tranche B Loan — the term loan in the amount of approximately \$53,000,000 provided by Tranche B Lenders to Parent pursuant to the Tranche B Documentation, the proceeds of which are primarily used to pay in full the Senior Convertible Notes.

Tranche B Documentation — the Tranche B Agreement and all other documentation evidencing, securing and otherwise executed in connection with or relating to the Tranche B Loan, as amended, restated, supplemented or otherwise modified from time to time.

Transferee — as defined in **Section 13.3.3** of the Agreement.

Type — any type of a Loan determined with respect to the interest option applicable thereto, which shall be either a LIBOR Loan or a Base Rate Loan.

UCC — the Uniform Commercial Code (or any successor statute) as adopted and in force in the State of Texas or, when the laws of any other state govern the method or manner of the perfection or enforcement of any security interest in any of the Collateral, the Uniform Commercial Code (or any successor statute) of such state.

Unused Letter of Credit Subfacility — an amount equal to \$72,000,000 minus the sum of (i) the aggregate amount of all outstanding Letters of Credit plus, without duplication, (ii) the aggregate unpaid reimbursement obligations with respect to all Letters of Credit.

Upstream Payment — a payment or distribution of cash or other Property by a Subsidiary to a Borrower, whether in repayment of Debt owed by such Subsidiary to such Borrower, to pay dividends on account of such Borrower's ownership of Equity Interests or otherwise.

Value — with reference to the value of Eligible Inventory, value determined on the basis of the lower of cost or market of such Eligible Inventory, with the cost thereof calculated on a first-in, first-out basis, determined in accordance with GAAP.

Voting Power — with respect to any Person, the power ordinarily (without the occurrence of a contingency) to elect the members of the board of directors (or Persons performing similar functions) of such Person.

Voting Stock — Equity Interests of any class or classes of a corporation or other entity the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors or Persons performing similar functions.

Accounting Terms. Unless otherwise specified herein, all terms of an accounting character used in the Agreement shall be interpreted, all accounting determinations under the Agreement shall be made, and all financial statements required to be delivered under the Agreement shall be prepared in accordance with GAAP, applied on a basis consistent with the most recent audited Consolidated financial statements of Borrowers and the Subsidiaries heretofore delivered to Agent and Lenders and using the same method for inventory valuation as used in such audited financial statements, except for any change required by GAAP; provided, however, that for purposes of determining Borrowers' compliance with financial covenants contained in **Section 9.3** of the Agreement, all accounting terms shall be interpreted and all accounting determinations shall be made in accordance with GAAP as in effect on the date of the Agreement and applied on a basis consistent with the application used in the financial statements referred to in **Section 8.1.9** of the Agreement unless (i) Borrowers shall have objected to determining such compliance on such basis at the time of delivery of such financial statements or (ii) Agent or any Lender shall so object in writing within 30 days after the delivery of such financial statements, in either of which events such calculations shall be made on a basis consistent with those used in the preparation of the latest financial statements as to which such objection shall not have been made. In the event of any change in GAAP that occurs after the date of the Agreement and that is material to Borrowers, Agent and Lenders shall the right to require either that conforming adjustments be made to any financial covenants set forth in the Agreement, or the components thereof, that are affected by such change or that Borrowers report their financial condition based on GAAP as in effect immediately prior to the occurrence of such change.

Other Terms. All other terms contained in the Agreement shall have, when the context so indicates, the meanings provided for by the UCC to the extent the same are used or defined therein.

Certain Matters of Construction. The terms "herein," "hereof" and "hereunder" and other words of similar import refer to the Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding." The section titles, table of contents and list of exhibits appear as a matter of convenience only and shall not affect the interpretation of the Agreement. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations; to any of the Loan Documents shall include any and all modifications thereto and any and all restatements, extensions or renewals thereof; to any Person shall mean and include the successors and permitted assigns of such Person; to "including" and "include" shall be understood to mean "including, without limitation" (and, for purposes of the Agreement and each other Loan Document, the parties agree that the rule of *ejusdem generis* shall not be applicable to limit a general statement, which is followed by or referable to an enumeration of specific matters to matters similar to the matters specifically mentioned); or to the time of day shall mean the time of day on the day in question in Dallas, Texas, unless otherwise expressly provided in the Agreement. A Default or an Event of Default shall be deemed to exist at all times during the period commencing on the date that such

Default or Event of Default occurs to the date on which such Default or Event of Default is waived in writing by Agent pursuant to the Agreement or, in the case of a Default, is cured within any period of cure expressly provided in this Agreement; and an Event of Default shall "continue" or be "continuing" until such Event of Default has been waived in writing by Lender. Whenever the phrase "to the best of Borrowers' knowledge" or words of similar import relating to the knowledge or the awareness of Borrowers are used herein, such phrase shall mean and refer to (i) the actual knowledge of a Senior Officer of any Borrower or (ii) the knowledge that a Senior Officer would have obtained if they had engaged in good faith and diligent performance of his duties, including the making of such reasonably specific inquiries as may be necessary of the employees or agents of Borrowers and a good faith attempt to ascertain the existence or accuracy of the matter to which such phrase relates.

IN WITNESS WHEREOF, this Appendix has been duly executed in Dallas, Texas, on May 12, 2006.

AGENT:

BANK OF AMERICA, N.A., as Agent

By: /s/ H. Michael Wills
Name: H. Michael Wills
Title: Senior Vice President

LENDERS:

BANK OF AMERICA, N.A.

By: /s/ H. Michael Wills
Name: H. Michael Wills
Title: Senior Vice President

WELLS FARGO FOOTHILL, LLC

By: /s/ David P. Hill
Name: David P. Hill
Title: Vice President

THE CIT GROUP/BUSINESS CREDIT, INC.

By: /s/ Kirk Wolverton
Name: Kirk Wolverton
Title: Vice President

CREDIT PARTIES:

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ Curt L. Warnock
Curt L. Warnock
Senior Vice President

ALADDIN-WARD ELECTRIC & AIR, INC.
AMBER ELECTRIC, INC.
ARC ELECTRIC, INCORPORATED
BACHOFNER ELECTRIC, INC.
BEAR ACQUISITION CORPORATION
BRYANT ELECTRIC COMPANY, INC.
BW/BEC, INC.
BW CONSOLIDATED, INC.
CHARLES P. BAGBY CO., INC.
COLLIER ELECTRIC COMPANY, INC.
COMMERCIAL ELECTRICAL CONTRACTORS, INC.
CROSS STATE ELECTRIC, INC.
CYPRESS ELECTRICAL CONTRACTORS, INC.
DANIEL ELECTRICAL CONTRACTORS, INC.
DANIEL ELECTRICAL OF TREASURE COAST, INC.
DANIEL INTEGRATED TECHNOLOGIES, INC.
DAVIS ELECTRICAL CONSTRUCTORS, INC.
ELECTRO-TECH, INC.
EMC ACQUISITION CORPORATION
FEDERAL COMMUNICATIONS GROUP, INC.
GENERAL PARTNER, INC.
HATFIELD REYNOLDS ELECTRIC COMPANY
HOLLAND ELECTRICAL SYSTEMS, INC.
HOUSTON-STAFFORD ELECTRIC HOLDINGS III, INC.
HOUSTON-STAFFORD MANAGEMENT LLC
ICS HOLDINGS LLC
IES ALBUQUERQUE, INC.
IES AUSTIN, INC.
IES AUSTIN MANAGEMENT LLC
IES CHARLESTON, INC.
IES CHARLOTTE, INC.
IES COLLEGE STATION, INC.
IES COLLEGE STATION MANAGEMENT LLC
IES COMMUNICATIONS, INC.
IES CONTRACTORS MANAGEMENT LLC
IES DECATUR, INC.
IES EAST MCKEESPORT, INC.
IES ENC, INC.
IES ENC MANAGEMENT, INC.
IES MERIDIAN, INC.
IES NEW IBERIA, INC.
IES OKLAHOMA CITY, INC.

IES OPERATIONS GROUP, INC.
IES PROPERTIES, INC.
IES PROPERTIES MANAGEMENT, INC.
IES RALEIGH, INC.
IES RAPID CITY, INC.
IES RESIDENTIAL GROUP, INC.
IES SPECIALTY LIGHTING, INC.
IES VALDOSTA, INC.
IES VENTURES INC.
IES WILSON, INC.
INTEGRATED ELECTRICAL FINANCE, INC.
INTELLIGENT BUILDING SOLUTIONS, INC.
J.W. GRAY ELECTRIC CO., INC.
J.W. GRAY MANAGEMENT LLC
KAYTON ELECTRIC, INC.
KEY ELECTRICAL SUPPLY, INC.
LINEMEN, INC.
MARK HENDERSON, INCORPORATED
MENNINGA ELECTRIC, INC.
MID-STATES ELECTRIC COMPANY, INC.
MILLS ELECTRICAL CONTRACTORS, INC.
MILLS MANAGEMENT LLC
MITCHELL ELECTRIC COMPANY, INC.
M-S SYSTEMS, INC.
MURRAY ELECTRICAL CONTRACTORS, INC.
NBH HOLDING CO., INC.
NEAL ELECTRIC MANAGEMENT LLC
NEW TECHNOLOGY ELECTRICAL CONTRACTORS, INC.
NEWCOMB ELECTRIC COMPANY, INC.
PAN AMERICAN ELECTRIC COMPANY, INC.
PAN AMERICAN ELECTRIC, INC.
PAULIN ELECTRIC COMPANY, INC.
POLLOCK ELECTRIC, INC.
PRIMENET, INC.
PRIMO ELECTRIC COMPANY
RAINES ELECTRIC CO., INC.
RAINES MANAGEMENT LLC
RIVIERA ELECTRIC, LLC
RKT ELECTRIC, INC.
ROCKWELL ELECTRIC, INC.
RODGERS ELECTRIC COMPANY, INC.
RON'S ELECTRIC, INC.
SEI ELECTRICAL CONTRACTOR, INC.
SPECTROL, INC.
SUMMIT ELECTRIC OF TEXAS, INC.

TESLA POWER GP, INC.
THOMAS POPP & COMPANY
VALENTINE ELECTRICAL, INC.
WRIGHT ELECTRICAL CONTRACTING, INC.

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

IES CONTRACTORS, INC.

Name: /s/ Curt L. Warnock
Curt L. Warnock
Secretary

IES REINSURANCE, LTD.

Name: /s/ Curt L. Warnock
Curt L. Warnock
President

BEXAR ELECTRIC COMPANY, LTD.

By: BW/BEC, Inc., its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

HAYMAKER ELECTRIC, LTD

By: General Partner, Inc., its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

HOUSTON-STAFFORD ELECTRICAL CONTRACTORS LP

By: Houston-Stafford Management LLC, its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

IES AUSTIN HOLDING LP

By: IES Austin Management LLC, its general partner

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

IES COLLEGE STATION HOLDINGS, LP

By: IES College Station Management LLC, its general partner

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

IES FEDERAL CONTRACT GROUP, L.P.

By: IES Contractors Management LLC

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

IES MANAGEMENT ROO, LP

By: Neal Electric Management LLC, its general partner

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

IES MANAGEMENT, LP

By: IES Residential Group, Inc., its general partner

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

IES PROPERTIES, LP

By: IES Properties Management, Inc., its general partner

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

J.W. GRAY ELECTRICAL CONTRACTORS LP
By: J.W. Gray Management LLC, its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

MILLS ELECTRIC LP
By: Mills Management LLC

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

NEAL ELECTRIC LP
By: BW/BEC, Inc., its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

POLLOCK SUMMIT ELECTRIC LP
By: Pollock Electric, Inc. and Summit Electric of Texas, Inc., its general partners

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

RAINES ELECTRIC LP
By: Raines Management LLC, its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

TESLA POWER AND AUTOMATION, L.P.
By: Telsa Power GP, Inc., its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

TESLA POWER PROPERTIES, L.P.

By: Telsa Power GP, Inc., its general partner

Name: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

BEXAR ELECTRIC II LLC
BW/BEC II LLC
BW/BEC, L.L.C.
HOUSTON-STAFFORD HOLDINGS II LLC
HOUSTON-STAFFORD HOLDINGS LLC
IES AUSTIN HOLDINGS II LLC
IES AUSTIN HOLDINGS LLC
IES COLLEGE STATION HOLDINGS II LLC
IES COLLEGE STATION HOLDINGS LLC
IES CONTRACTORS HOLDINGS LLC
IES HOLDINGS II LLC
IES HOLDINGS LLC
IES PROPERTIES HOLDINGS II LLC
J.W. GRAY HOLDINGS II LLC
J.W. GRAY HOLDINGS LLC
MILLS ELECTRIC HOLDINGS II LLC
MILLS ELECTRICAL HOLDINGS LLC
POLLOCK SUMMIT HOLDINGS II LLC
RAINES HOLDINGS II LLC
RAINES HOLDINGS LLC
TESLA POWER (NEVADA) II LLC

By: /s/ Victor Duva
Victor Duva, Manager

IES PROPERTIES HOLDINGS, INC.
POLLOCK SUMMIT HOLDINGS INC.
TESLA POWER (NEVADA), INC.

By: /s/ Victor Duva
Victor Duva, President

Annex I

Borrowers

Aladdin-Ward Electric & Air, Inc.	Florida
Amber Electric, Inc.	Florida
ARC Electric, Incorporated	Delaware
Bachofner Electric, Inc.	Delaware
Bexar Electric Company, Ltd.	Texas
Bryant Electric Company, Inc.	North Carolina
Charles P. Bagby Co., Inc	Alabama
Collier Electric Company, Inc.	Florida
Commercial Electrical Contractors, Inc.	Delaware
Cross State Electric, Inc.	California
Cypress Electrical Contractors, Inc.	Delaware
Daniel Electrical Contractors, Inc.	Florida
Daniel Electrical of Treasure Coast, Inc.	Florida
Daniel Integrated Technologies, Inc.	Florida
Davis Electrical Constructors, Inc.	South Carolina
Electro-Tech, Inc.	Nevada
Federal Communications Group, Inc.	Delaware
Hatfield Reynolds Electric Company	Arizona
Haymaker Electric, Ltd.	Alabama
Holland Electrical Systems, Inc	Delaware
Houston-Stafford Electrical Contractors LP	Texas
IES Contractors, Inc	Delaware
IES Federal Contract Group, LP	Texas
IES Management LP	Texas
IES Management ROO, LP	Texas
IES Properties LP	Texas
IES Ventures, Inc.	Delaware
Integrated Electrical Finance, Inc.	Delaware
Integrated Electrical Services, Inc.	Delaware
J.W. Gray Electric Co., Inc.	Delaware
J.W. Gray Electrical Contractors LP	Texas
Kayton Electric, Inc.	Nebraska
Key Electrical Supply, Inc.	Texas
Mark Henderson, Incorporated	Delaware
Menninga Electric, Inc.	Delaware
Mid-States Electric Company, Inc.	Delaware
Mills Electric LP	Texas
Mitchell Electric Company, Inc.	Arizona
M-S Systems, Inc.	Tennessee
Murray Electrical Contractors, Inc.	Delaware
Neal Electric LP	Texas
New Technology Electrical Contractors, Inc.	Delaware
Newcomb Electric Company, Inc.	Delaware

Pan American Electric, Inc.	Tennessee
Paulin Electric Company, Inc.	Delaware
Pollock Summit Electric LP	Texas
PrimeNet, Inc.	Delaware
Primo Electric Company	Delaware
Raines Electric LP	Texas
Riviera Electric, LLC	Delaware
Rockwell Electric, Inc.	Delaware
Rodgers Electric Company, Inc.	Washington
Ron's Electric, Inc.	Delaware
SEI Electrical Contractor, Inc.	Florida
Spectrol, Inc.	Delaware
Tesla Power & Automation, L.P.	Texas
Tesla Power Properties, L.P.	Texas
Thomas Popp & Company	Ohio
Valentine Electrical, Inc.	Delaware

Annex II

Guarantors

Bear Acquisition Corporation	Delaware
Bexar Electric II LLC	Arizona
BW Consolidated, Inc.	Nevada
BW/BEC II LLC	Arizona
BW/BEC, Inc.	Delaware
BW/BEC, LLC	Nevada
General Partners, Inc.	Alabama
Houston-Stafford Electric Holdings III, Inc.	Delaware
Houston-Stafford Holdings II LLC	Delaware
Houston-Stafford Holdings LLC	Arizona
Houston-Stafford Management LLC	Arizona
ICS Holdings LLC	Arizona
IES Charleston, Inc.	South Carolina
IES Communications, Inc.	Delaware
IES Contractors Holdings LLC	Arizona
IES Contractors Management LLC	Arizona
IES ENC Management, Inc.	Delaware
IES ENC, Inc.	Delaware
IES Holdings II LLC	Delaware
IES Holdings LLC	Arizona
IES Operations Group, Inc.	Delaware
IES Properties Holding, Inc.	Delaware
IES Properties Holdings II LLC	Arizona
IES Properties Management, Inc.	Delaware
IES Properties, Inc	Delaware
IES Rapid City, Inc.	South Dakota
IES Reinsurance, Ltd.	Bermuda
IES Residential Group, Inc.	Delaware
IES Specialty Lighting, Inc.	Delaware
Intelligent Buildings Solutions, Inc.	Delaware
J.W. Gray Holdings II LLC	Delaware
J.W. Gray Holdings LLC	Arizona
J.W. Gray Management LLC	Arizona
Linemen, Inc.	Delaware
Mills Electric Contractors, Inc.	Delaware
Mills Electric Holdings II LLC	Delaware
Mills Electrical Holdings LLC	Arizona
Mills Management LLC	Arizona
Neal Electric Management LLC	Arizona
Pan American Electric Company, Inc.	New Mexico
Pollock Electric, Inc.	Delaware
Pollock Summit Holdings II LLC	Delaware
Pollock Summit Holdings, Inc.	Arizona
Raines Electric Co., Inc.	Delaware
Raines Holdings II LLC	Delaware

Raines Holdings LLC	Arizona
Raines Management LLC	Arizona
Summit Electric of Texas, Inc.	Delaware
Tesla Power (Nevada) , Inc.	Nevada
Tesla Power (Nevada) II LLC	Delaware
Tesla Power GP, Inc.	Delaware
EMC Acquisition Corporation	Delaware
IES New Iberia, Inc.	Delaware
IES Albuquerque, Inc.	New Mexico
IES Austin Holding LP	Texas
IES Austin Holdings II LLC	Delaware
IES Austin Holdings LLC	Arizona
IES Austin Management LLC	Arizona
IES Austin, Inc.	Delaware
IES Charlotte, Inc.	Delaware
IES College Station Holdings II, LLC	Delaware
IES College Station Holdings LLC	Arizona
IES College Station Holdings LP	Texas
IES College Station Management LLC	Arizona
IES College Station, Inc.	Delaware
IES Decatur, Inc.	Delaware
IES East McKeesport, Inc.	Delaware
IES Meridian, Inc.	Delaware
IES Oklahoma City, Inc.	Delaware
IES Raleigh, Inc.	Delaware
IES Valdosta Inc	Georgia
IES Wilson, Inc.	Delaware
NBH Holding Co., Inc,	Delaware
RKT Electric, Inc.	Delaware
Wright Electrical Contracting, Inc.	Delaware

EXHIBIT A
FORM OF REVOLVER NOTE

U.S. \$ _____

_____, 2006
Dallas, Texas

FOR VALUE RECEIVED, each of the undersigned (being hereinafter referred to collectively herein as "Borrowers," and individually as a "Borrower") hereby unconditionally, and jointly and severally, promise to pay to the order of _____ (herein, together with any subsequent holder hereof, called the "Holder") the principal sum of \$ _____ or such lesser sum as may constitute Holder's Pro Rata share of the outstanding principal amount of all Revolver Loans pursuant to the terms of the Loan Agreement (as defined below) on the date on which such outstanding principal amounts become due and payable pursuant to **Section 4.2** of the Loan Agreement, in strict accordance with the terms thereof. Borrowers likewise unconditionally, and jointly and severally, promise to pay to Holder interest from and after the date hereof on Holder's Pro Rata share of the outstanding principal amount of Revolver Loans at such interest rates, payable at such times, and computed in such manner as are specified in **Section 2.1** of the Loan Agreement, in strict accordance with the terms thereof.

This Revolver Note ("Note") is issued pursuant to, and is one of the "Revolver Notes" referred to in, the Loan and Security Agreement dated as of even date herewith (as the same may be amended from time to time, the "Loan Agreement"), among Borrowers, Bank of America, N.A., as collateral and administrative agent (in such capacity, "Agent") for itself and the financial institutions from time to time parties thereto as lenders ("Lenders"), and such Lenders, and Holder is and shall be entitled to all benefits thereof and of all Loan Documents executed and delivered in connection therewith. All capitalized terms used herein, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Loan Agreement.

The repayment of the principal balance of this Note is subject to the provisions of **Section 4.2** of the Loan Agreement. The entire unpaid principal balance and all accrued interest on this Note shall be due and payable immediately upon the termination of the Commitments as set forth in **Section 5.2** of the Loan Agreement.

All payments of principal and interest shall be made in Dollars in immediately available funds as specified in the Loan Agreement.

Upon or after the occurrence of an Event of Default and for so long as such Event of Default exists, the principal balance and all accrued interest of this Note may be declared (or shall become) due and payable in the manner and with the effect provided in the Loan Agreement, and the unpaid principal balance hereof shall bear interest at the Default Rate as and when provided in **Section 2.1.5** of the Loan Agreement. Borrowers jointly and severally agree to pay, and save Holder harmless against, any liability for the payment of, all costs and expenses, including, but not limited to, reasonable attorneys' fees, if this Note is collected by or through an attorney-at-law.

All principal amounts of Revolver Loans made by Holder to Borrowers pursuant to the Loan Agreement, and all accrued and unpaid interest thereon, shall be deemed outstanding under this Note and shall continue to be owing by Borrowers until paid in accordance with the terms of this Note and the Loan Agreement.

In no contingency or event whatsoever, whether by reason of advancement of the proceeds hereof or otherwise, shall the amount paid or agreed to be paid to Holder for the use, forbearance or detention of money advanced hereunder exceed the highest lawful rate permissible under any law which a court of competent jurisdiction may deem applicable hereto; and, in the event of any such payment inadvertently paid by Borrowers or inadvertently received by Holder, such excess sum shall be, at Borrowers' option, returned to Borrowers forthwith or credited as a payment of principal, but shall not be applied to the payment of interest. It is the intent hereof that Borrowers not pay or contract to pay, and that Holder not receive or contract to receive, directly or indirectly in any manner whatsoever, interest in excess of that which may be paid by Borrowers under Applicable Law.

Time is of the essence of this Note. To the fullest extent permitted by Applicable Law, each Borrower, for itself and its legal representatives, successors and assigns, expressly waives presentment, demand, protest, notice of dishonor, notice of non-payment, notice of maturity, notice of protest, presentment for the purpose of accelerating maturity, diligence in collection, and the benefit of any exemption or insolvency laws.

Wherever possible each provision of this Note shall be interpreted in such a manner as to be effective and valid under Applicable Law, but if any provision of this Note shall be prohibited or invalid under Applicable Law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or remaining provisions of this Note. No delay or failure on the part of Holder in the exercise of any right or remedy hereunder shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise by Holder of any right or remedy preclude any other right or remedy. Each Borrower agrees that, without releasing or impairing any Borrower's liability hereunder, Holder or Agent may at any time release, surrender, substitute or exchange any Collateral securing this Note and may at any time release any party primarily or secondarily liable for the indebtedness evidenced by this Note.

The rights of Holder and obligations of Borrowers hereunder shall be construed in accordance with and governed by the laws (without giving effect to the conflict of law principles thereof) of the State of Texas.

[REMAINDER OF PAGE BLANK; SIGNATURES IMMEDIATELY FOLLOW]

BORROWERS:

INTEGRATED ELECTRICAL SERVICES, INC.

By: _____
Curt L. Warnock
Senior Vice President

ALADDIN-WARD ELECTRIC & AIR, INC.
AMBER ELECTRIC, INC.
ARC ELECTRIC, INCORPORATED
BACHOFNER ELECTRIC, INC.
BEAR ACQUISITION CORPORATION
BRYANT ELECTRIC COMPANY, INC.
BW/BEC, INC.
BW CONSOLIDATED, INC.
CHARLES P. BAGBY CO., INC.
COLLIER ELECTRIC COMPANY, INC.
COMMERCIAL ELECTRICAL CONTRACTORS, INC.
CROSS STATE ELECTRIC, INC.
CYPRESS ELECTRICAL CONTRACTORS, INC.
DANIEL ELECTRICAL CONTRACTORS, INC.
DANIEL ELECTRICAL OF TREASURE COAST, INC.
DANIEL INTEGRATED TECHNOLOGIES, INC.
DAVIS ELECTRICAL CONSTRUCTORS, INC.
ELECTRO-TECH, INC.
EMC ACQUISITION CORPORATION
FEDERAL COMMUNICATIONS GROUP, INC.
GENERAL PARTNER, INC.
HATFIELD REYNOLDS ELECTRIC COMPANY
HOLLAND ELECTRICAL SYSTEMS, INC.
HOUSTON-STAFFORD ELECTRIC HOLDINGS III, INC.
HOUSTON-STAFFORD MANAGEMENT LLC
ICS HOLDINGS LLC
IES ALBUQUERQUE, INC.
IES AUSTIN, INC.
IES AUSTIN MANAGEMENT LLC
IES CHARLESTON, INC.
IES CHARLOTTE, INC.
IES COLLEGE STATION, INC.
IES COLLEGE STATION MANAGEMENT LLC
IES COMMUNICATIONS, INC.
IES CONTRACTORS MANAGEMENT LLC
IES DECATUR, INC.
IES EAST MCKEESPORT, INC.
IES ENC, INC.
IES ENC MANAGEMENT, INC.
IES MERIDIAN, INC.
IES NEW IBERIA, INC.
IES OKLAHOMA CITY, INC.

IES OPERATIONS GROUP, INC.
IES PROPERTIES, INC.
IES PROPERTIES MANAGEMENT, INC.
IES RALEIGH, INC.
IES RAPID CITY, INC.
IES RESIDENTIAL GROUP, INC.
IES SPECIALTY LIGHTING, INC.
IES VALDOSTA, INC.
IES VENTURES INC.
IES WILSON, INC.
INTEGRATED ELECTRICAL FINANCE, INC.
INTELLIGENT BUILDING SOLUTIONS, INC.
J.W. GRAY ELECTRIC CO., INC.
J.W. GRAY MANAGEMENT LLC
KAYTON ELECTRIC, INC.
KEY ELECTRICAL SUPPLY, INC.
LINEMEN, INC.
MARK HENDERSON, INCORPORATED
MENNINGA ELECTRIC, INC.
MID-STATES ELECTRIC COMPANY, INC.
MILLS ELECTRICAL CONTRACTORS, INC.
MILLS MANAGEMENT LLC
MITCHELL ELECTRIC COMPANY, INC.
M-S SYSTEMS, INC.
MURRAY ELECTRICAL CONTRACTORS, INC.
NBH HOLDING CO., INC.
NEAL ELECTRIC MANAGEMENT LLC
NEW TECHNOLOGY ELECTRICAL CONTRACTORS, INC.
NEWCOMB ELECTRIC COMPANY, INC.
PAN AMERICAN ELECTRIC COMPANY, INC.
PAN AMERICAN ELECTRIC, INC.
PAULIN ELECTRIC COMPANY, INC.
POLLOCK ELECTRIC, INC.
PRIMENET, INC.
PRIMO ELECTRIC COMPANY
RAINES ELECTRIC CO., INC.
RAINES MANAGEMENT LLC
RIVIERA ELECTRIC, LLC
RKT ELECTRIC, INC.
ROCKWELL ELECTRIC, INC.
RODGERS ELECTRIC COMPANY, INC.
RON'S ELECTRIC, INC.
SEI ELECTRICAL CONTRACTOR, INC.
SPECTROL, INC.
SUMMIT ELECTRIC OF TEXAS, INC.

TESLA POWER GP, INC.
THOMAS POPP & COMPANY
VALENTINE ELECTRICAL, INC.
WRIGHT ELECTRICAL CONTRACTING, INC.

By: _____
Curt L. Warnock
Vice President

IES CONTRACTORS, INC.

Name: _____
Curt L. Warnock
Secretary

IES REINSURANCE, LTD.

Name: _____
Curt L. Warnock
President

BEXAR ELECTRIC COMPANY, LTD.
By: BW/BEC, Inc., its general partner

Name: _____
Curt L. Warnock
Vice President

HAYMAKER ELECTRIC, LTD
By: General Partner, Inc., its general partner

Name: _____
Curt L. Warnock
Vice President

HOUSTON-STAFFORD ELECTRICAL CONTRACTORS LP
By: Houston-Stafford Management LLC, its general partner

Name: _____
Curt L. Warnock
Vice President

IES AUSTIN HOLDING LP

By: IES Austin Management LLC, its general partner

Name: _____

Curt L. Warnock
Vice President

IES COLLEGE STATION HOLDINGS, LP

By: IES College Station Management LLC, its general partner

Name: _____

Curt L. Warnock
Vice President

IES FEDERAL CONTRACT GROUP, L.P.

By: IES Contractors Management LLC

Name: _____

Curt L. Warnock
Vice President

IES MANAGEMENT ROO, LP

By: Neal Electric Management LLC, its general partner

Name: _____

Curt L. Warnock
Vice President

IES MANAGEMENT, LP

By: IES Residential Group, Inc., its general partner

Name: _____

Curt L. Warnock
Vice President

IES PROPERTIES, LP

By: IES Properties Management, Inc., its general partner

Name: _____

Curt L. Warnock
Vice President

J.W. GRAY ELECTRICAL CONTRACTORS LP
By: J.W. Gray Management LLC, its general partner

Name: _____
Curt L. Warnock
Vice President

MILLS ELECTRIC LP
By: Mills Management LLC

Name: _____
Curt L. Warnock
Vice President

NEAL ELECTRIC LP
By: BW/BEC, Inc., its general partner

Name: _____
Curt L. Warnock
Vice President

POLLOCK SUMMIT ELECTRIC LP
By: Pollock Electric, Inc. and Summit Electric of Texas, Inc., its general partners

Name: _____
Curt L. Warnock
Vice President

RAINES ELECTRIC LP
By: Raines Management LLC, its general partner

Name: _____
Curt L. Warnock
Vice President

TESLA POWER AND AUTOMATION, L.P.
By: Telsa Power GP, Inc., its general partner

Name: _____
Curt L. Warnock
Vice President

TESLA POWER PROPERTIES, L.P.

By: Telsa Power GP, Inc., its general partner

Name:

Curt L. Warnock
Vice President

BEXAR ELECTRIC II LLC
BW/BEC II LLC
BW/BEC, L.L.C.
HOUSTON-STAFFORD HOLDINGS II LLC
HOUSTON-STAFFORD HOLDINGS LLC
IES AUSTIN HOLDINGS II LLC
IES AUSTIN HOLDINGS LLC
IES COLLEGE STATION HOLDINGS II LLC
IES COLLEGE STATION HOLDINGS LLC
IES CONTRACTORS HOLDINGS LLC
IES HOLDINGS II LLC
IES HOLDINGS LLC
IES PROPERTIES HOLDINGS II LLC
J.W. GRAY HOLDINGS II LLC
J.W. GRAY HOLDINGS LLC
MILLS ELECTRIC HOLDINGS II LLC
MILLS ELECTRICAL HOLDINGS LLC
POLLOCK SUMMIT HOLDINGS II LLC
RAINES HOLDINGS II LLC
RAINES HOLDINGS LLC
TESLA POWER (NEVADA) II LLC

By: _____
Victor Duva, Manager

IES PROPERTIES HOLDINGS, INC.
POLLOCK SUMMIT HOLDINGS INC.
TESLA POWER (NEVADA), INC.

By: _____
Victor Duva, President

EXHIBIT B

Form of Borrowing Base Certificate

The undersigned, being a Senior Officer (as defined in the Loan Agreement described below) of **INTEGRATED ELECTRICAL SERVICES, INC.**, a Delaware corporation (individually, and in its capacity as the representative of the other Credit Parties (as defined in the Loan Agreement), "Parent"), hereby gives this Borrowing Base Certificate to **BANK OF AMERICA, N.A.**, as agent pursuant to the below described Loan Agreement (in such capacity, "Agent"), and the Lenders party to such Loan Agreement, pursuant to the terms and conditions of a Loan and Security Agreement dated as of May 12, 2006 (the "Loan Agreement") by and among the Lenders from time to time party thereto, Agent, Parent, the other Borrowers and the other Credit Parties party thereto. All capitalized terms not defined herein have the meanings given them in the Loan Agreement. The undersigned hereby certifies that:

BORROWING BASE AND COMPLIANCE

Pursuant to the Loan Documents, the Credit Parties granted to Agent a lien on the Collateral, including (except to the extent such Property constitutes Excluded Collateral) all of their Accounts, Cash Collateral and Inventory. The amounts, calculations and representations set forth in this Borrowing Base Certificate, in Schedule 1 attached hereto and in any other attachments hereto are true and correct in all respects and were determined in accordance with the Loan Agreement and GAAP. All of the Accounts, Cash Collateral and Inventory referred to herein (other than those entered as ineligible) are Eligible Accounts, Eligible Cash Collateral and Eligible Inventory, respectively.

B. General Certifications The undersigned further certifies to Agent and Lenders that:

- (a) Each of the representations and warranties made by the Credit Parties in or pursuant to the Loan Documents are accurate in all material respects (except for those representations and warranties made as of a specific date), and Credit Parties are in compliance with all covenants, agreements and obligations under the Loan Documents;
 - (b) No Default or Event of Default has occurred or is continuing; and
 - (c) The certifications, representations, calculations and statements herein will be true and correct as of the date hereof.
-

IN WITNESS WHEREOF, the undersigned has caused this certificate to be executed as of the day first written above.

INTEGRATED ELECTRICAL SERVICES, INC.

By: _____
Name: _____
Its: _____

SCHEDULE 1
TO BE DETERMINED

EXHIBIT C

Form of Notice of Conversion/Continuation

Date _____, _____

Bank of America, N.A., as Agent
901 Main Street
22nd Floor
Mail Code: TX1-492-22-13
Dallas, Texas 75202
Attention: Loan Administration Officer

Re: Loan and Security Agreement dated May 12, 2006, by and among Integrated Electrical Services, Inc. and the other Borrowers party thereto, the Guarantors party thereto, Bank of America, N.A., as collateral and administrative agent for certain Lenders from time to time parties thereto, and such Lenders (as at any time amended, the "Loan Agreement")

Gentlemen:

This Notice of Conversion/Continuation is delivered to you pursuant to **Section 2.1.2(ii)** of the Loan Agreement. Unless otherwise defined herein, capitalized terms used herein shall have the meanings attributable thereto in the Loan Agreement. Borrowers hereby give notice of its request as follows:

Check as applicable:

: A conversion of Loans from one Type to another, as follows:

- (i) The requested date of the proposed conversion is _____, 20____ (the "Conversion Date");
- (ii) The Type of Loans to be converted pursuant hereto are presently _____ [select either *LIBOR Loans* or *Base Rate Loans*] in the principal amount of \$_____ outstanding as of the Conversion Date;
- (iii) The portion of the aforesaid Loans to be converted on the Conversion Date is \$_____ (the "Conversion Amount");
- (iv) The Conversion Amount is to be converted into a _____ [select either a *LIBOR Loan* or a *Base Rate Loan*] (the "Converted Loan") on the Conversion Date.
- (v) [In the event a Borrower selects a *LIBOR Loan*:] Borrowers hereby request that the Interest Period for such Converted Loan be for a duration of _____ [insert length of Interest Period].

: A continuation of LIBOR Loans for new Interest Period, as follows:

- (i) The requested date of the proposed continuation is _____, 20____ (the "Continuation Date");
-

(ii) The aggregate amount of the LIBOR Loans subject to such continuation is \$_____;

(iii) The duration of the selected Interest Period for the LIBOR Loans which are the subject of such continuation is: _____ *[select duration of applicable Interest Period]*;

Each Borrower hereby ratifies and reaffirms all of its liabilities and obligations under the Loan Documents and, in connection with each continuation of LIBOR Loan and each conversion of a Base Rate Loan into a LIBOR Loan, certifies that no Default or Event of Default exists on the date hereof.

Borrowers have caused this Notice of Conversion/Continuation to be executed and delivered by their duly authorized representative, this _____ day of _____, 20 _____.

Integrated Electrical Services, Inc.

By: _____

Title: _____

EXHIBIT D
Form of Notice of Borrowing

Date _____, 200_____

Bank of America, N.A., as Agent
901 Main Street
22nd Floor
Mail Code: TX1-492-22-13
Dallas, Texas 75202
Attention: Loan Administration Officer

Re: Loan and Security Agreement dated May 12, 2006, by and among Integrated Electrical Services, Inc. and the other Borrowers party thereto, the Guarantors party thereto, Bank of America, N.A., as collateral and administrative agent for certain Lenders from time to time parties thereto, and such Lenders (as at any time amended, the "Loan Agreement")

Gentlemen:

This Notice of Borrowing is delivered to you pursuant to **Section 3.1.1** of the Loan Agreement. Unless otherwise defined herein, capitalized terms used herein shall have the meanings attributable thereto in the Loan Agreement. Borrowers hereby request a Revolver Loan in the aggregate principal amount of \$_____, to be made on _____, _____, and to consist of:

Check as applicable: : Base Rate Loans in the aggregate principal amount of \$_____

: LIBOR Loans in the aggregate principal amount of \$_____, with Interest Periods as follows:

- (i) As to \$_____, an Interest Period of _____ month(s);
- (ii) As to \$_____, an Interest Period of _____ months;
- (iii) As to \$_____, an Interest Period of _____ months.

Each Borrower hereby ratifies and reaffirms all of its liabilities and obligations under the Loan Documents and hereby certifies that no Default or Event of Default exists on the date hereof.

Borrowers have caused this Notice of Borrowing to be executed and delivered by their duly authorized representative, this _____ day of _____, 20_____.

Integrated Electrical Services, Inc.

By: _____
Title: _____

EXHIBIT E
COMPLIANCE CERTIFICATE

[Letterhead of Integrated Electrical Services, Inc.]

_____, 20_____

Bank of America, N.A., as Agent
901 Main Street
22nd Floor
Mail Code: TX1-492-22-13
Dallas, Texas 75202
Attention: Loan Administration Officer

The undersigned, the chief financial officer of **Integrated Electrical Services, Inc.**, a Delaware corporation ("Parent"), gives this certificate to **Bank of America, N.A.** ("Agent") in accordance with the requirements of **Section 9.1.3** of that certain Loan and Security Agreement dated May 12, 2006, among Parent and the other Borrowers party thereto, the Guarantors party thereto, Agent and the Lenders referenced therein ("Loan Agreement"). Capitalized terms used in this Certificate, unless otherwise defined herein, shall have the meanings ascribed to them in the Loan Agreement.

1. Based upon my review of the balance sheets and statements of income of Parent and its Subsidiaries for the **[Fiscal Year] [quarterly period] [calendar month]** ending _____, 20_____, copies of which are attached hereto, I hereby certify that:

- (a) Consolidated Fixed Charge Coverage Ratio is _____ to _____;
- (b) Consolidated Leverage Ratio is _____ to _____;
- (c) Cash Collateral in Cash Collateral Account is \$_____; and
- (d) Capital Expenditures during the period and for the Fiscal Year to date total \$_____ for Borrowers.]

2. No Default exists on the date hereof, other than: _____ [if none, so state]; and

3. No Event of Default exists on the date hereof, other than _____ [if none, so state].

4. As of the date hereof, each Borrower is current in its payment of all accrued rent and other charges to Persons who own or lease any premises where any of the Collateral is located, and there are no pending disputes or claims regarding any Borrower's failure to pay or delay in payment of any such rent or other charges.

5. Attached hereto is a schedule showing the calculations that support Borrowers' compliance [*non-compliance*] with the financial covenants, as shown above.

Very truly yours,

Chief Financial Officer

EXHIBIT F
[RESERVED]

EXHIBIT G

FORM OF ASSIGNMENT AND ACCEPTANCE

Dated as of _____, 20_____

Reference is made to the Loan and Security Agreement dated May 12, 2006 (at any time amended, the "Loan Agreement"), among Integrated Electrical Services, Inc. and the other Borrowers party thereto, the Guarantors party thereto, Bank of America, N.A., as collateral and administrative agent for certain Lenders from time to time parties thereto, and such Lenders. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Loan Agreement.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. Assignor hereby assigns to Assignee and Assignee hereby purchases and assumes from Assignor (i) a principal amount of \$_____ of the outstanding Revolver Loans held by Assignor and \$_____ of participations of Assignor in LC Outstandings (which amount[s], according to the records of Agent, represent[s] _____% of the total principal amount of outstanding Revolver Loans and LC Outstandings) and (ii) a principal amount of \$_____ of Assignor's Commitment (which amount includes Assignor's outstanding Revolver Loans being assigned to Assignee pursuant to clause (i) above and which, according to the records of Agent, represents (_____% of the total Commitments of Lenders under the Loan Agreement) (the "Assigned Interest"), together with an interest in the Loan Documents corresponding to the Assigned Interest. This Agreement shall be effective from the date (the "Assignment Effective Date") on which Assignor receives both (x) the principal amount of the Assigned Interest in the Loans on the Assignment Effective Date, if any, and (y) a copy of this Agreement duly executed by Assignee. From and after the Assignment Effective Date, Assignee hereby expressly assumes, and undertakes to perform, all of Assignor's obligations in respect of Assignor's Commitments to the extent, and only to the extent, of Assignee's Assigned Interest, and all principal, interest, fees and other amounts which would otherwise be payable to or for Assignor's account in respect of the Assigned Interest shall be payable to or for Assignee's account, to the extent such amounts have accrued subsequent to the Assignment Effective Date.

2. Assignor (i) represents that as of the date hereof, the aggregate of its Commitments under the Loan Agreement (without giving effect to assignments thereof, which have not yet become effective) is \$_____, and the outstanding balance of its Loans and participations in LC Outstandings (unreduced by any assignments thereof, which have not yet become effective) is \$_____; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement or any other instrument or document furnished pursuant thereto, other than that Assignor is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrowers, the performance or observance by Borrowers of any of their obligations under the Loan Agreement or any of the Loan Documents; and (iv) attaches the Notes held by it and requests that Agent exchange such Notes for new Notes payable to Assignee and the Assignor in the principal amounts set forth on Schedule A hereto.

3. Assignee (i) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (ii) confirms that it has received a copy of the Loan Agreement, together with copies of the most recent financial statements delivered pursuant to **Section 9.1.3** thereof, and copies of such other Loan Documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iii) agrees that it shall, independently and without reliance upon the Assignor and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Agreement; (iv) confirms that it is eligible to become an Assignee; (v) appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Loan Agreement as are delegated to Agent by the terms thereof, together with such powers as are incidental thereto; (vi) agrees that it will strictly observe and perform all the obligations that are required to be performed by it as a "Lender" under the terms of the Loan Agreement and the other Loan Documents; and (vii) agrees that it will keep confidential all information with respect to Borrowers furnished to it by Borrowers or the Assignor to the extent provided in the Loan Agreement.

4. Assignor acknowledges and agrees that it will not sell or otherwise dispose of the Assigned Interest or any portion thereof, or grant any participation therein, in a manner which, or take any action in connection therewith which, would violate the terms of any of the Loan Documents.

5. This Agreement and all rights and obligations shall be interpreted in accordance with and governed by the laws of the State of Texas. If any provision hereof would be invalid under Applicable Law, then such provision shall be deemed to be modified to the extent necessary to render it valid while most nearly preserving its original intent; no provision hereof shall be affected by another provision's being held invalid.

6. Each notice or other communication hereunder shall be in writing, shall be sent by messenger, by telecopy or facsimile transmission or by first-class mail, shall be deemed given when sent and shall be sent as follows:

(a) If to Assignee, to the following address (or to such other address as Assignee may designate from time to time):

(b) If to Assignor, to the following address (or to such other address as Assignor may designate from time to time):

Payments hereunder shall be made by wire transfer of immediately available Dollars as follows:

If to Assignee, to the following account (or to such other account as Assignee may designate from time to time):

ABA No. _____



Account No. _____
Reference: _____

If to Assignor, to the following account (or to such other account as Assignor may designate from time to time):

ABA No. _____
For Account of: _____
Reference: _____

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed and delivered by their respective duly authorized officers, as of the date first above written.

("Assignor")

By: _____

Title: _____

("Assignee")

By: _____

Title: _____

SCHEDULE A TO ASSIGNMENT AND ACCEPTANCE

EXHIBIT H
FORM OF NOTICE

Reference is made to (i) the Loan and Security Agreement dated May 12, 2006 (as at any time amended, the "Loan Agreement") among Integrated Electrical Services, Inc. and the other Borrowers party thereto, the Guarantors party thereto, Bank of America, N.A., as collateral and administrative agent for certain Lenders from time to time parties thereto, and such Lenders, and (ii) the Assignment and Acceptance dated as of _____, 20____ (the "Assignment Agreement") between _____ (the "Assignor") and _____ (the "Assignee"). Except as otherwise defined herein, capitalized terms used herein which are defined in the Loan Agreement are used herein with the respective meanings specified therein.

The Assignor hereby notifies Borrowers and Agent of Assignor's intent to assign to Assignee pursuant to the Assignment Agreement a principal amount of (i) \$_____ of the outstanding Revolver Loans and participations in LC Outstandings held by Assignor, and (ii) \$_____ of Assignor's Commitment (which amount includes the Assignor's outstanding Revolver Loans being assigned to Assignee pursuant to clause (i) above), together with an interest in the Loan Documents corresponding to the interest in the Loans and Commitment[s] so assigned. Pursuant to the Assignment Agreement, Assignee has expressly assumed all of Assignor's obligations under the Loan Agreement to the extent of the Assigned Interest (as defined in the Assignment Agreement).

For purposes of the Loan Agreement, Agent shall deem Assignor's share of the Commitment to be reduced by \$_____ and Assignee's share of the Commitment to be increased by \$_____.

The address of the Assignee to which notices, information and payments are to be sent under the terms of the Loan Agreement is:

Assignee's LIBOR Lending Office address is as follows:

This Notice is being delivered to Borrowers and Agent pursuant to **Section 13.3** of the Loan Agreement. Please acknowledge your receipt of this Notice by executing and returning to Assignee and Assignor a copy of this Notice.

IN WITNESS WHEREOF, the undersigned have caused the execution of this Notice, as of _____, 20__.

("Assignor")

By: _____

Title: _____

("Assignee")

By: _____

Title: _____

ACKNOWLEDGED AND AGREED TO
AS OF THE DATE SET FORTH ABOVE:

BORROWERS:*

By: _____

Title: _____

By: _____

Title: _____

By: _____

Title: _____

* No signature required by any Borrower when an Event of Default exists.

BANK OF AMERICA, N.A.,
as Agent

By: _____

Title: _____

PLEDGE AGREEMENT

This PLEDGE AGREEMENT, dated as of May 12, 2006 (together with all amendments, restatements or modifications from time to time hereto, this "Agreement") among Integrated Electrical Services, Inc., a Delaware corporation ("IES") and each of the entities listed as Pledgor on Schedule I attached hereto (each a "Pledgor" and collectively, "Pledgors") and BANK OF AMERICA, N.A. in its capacity as Agent for Lenders ("Agent").

WITNESSETH:

WHEREAS, pursuant to that certain Loan and Security Agreement dated as of the date hereof by and among IES, the Persons named therein as Credit Parties, Agent and the Persons signatory thereto from time to time as Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Loan Agreement") the Lenders have agreed to make Loans to, and issue Letters of Credit for the benefit of, Borrowers;

WHEREAS, each Pledgor is the record and beneficial owner of the shares of capital stock and/or other equity securities and ownership interests listed in Part A of Schedule I hereto and the owner of the promissory notes and instruments listed in Part B of Schedule I hereto;

WHEREAS, each Pledgor benefits from the credit facilities made available to Borrowers under the Loan Agreement;

WHEREAS, in order to induce Agent and Lenders to make the Loans and to issue the Letters of Credit as provided for in the Loan Agreement, each Pledgor has agreed to pledge the Pledged Collateral to Agent in accordance herewith and has determined that such pledge is necessary or convenient to the conduct, promotion or attainment of its business;

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained and to induce Lenders to make Loans and to incur Letter of Credit obligations under the Loan Agreement, it is agreed as follows:

1. Definitions. Unless otherwise defined herein, terms defined in the Loan Agreement are used herein as therein defined, and the following shall have (unless otherwise provided elsewhere in this Agreement) the following respective meanings (such meanings being equally applicable to both the singular and plural form of the terms defined):

"Bankruptcy Code" means title 11, United States Code, as amended from time to time, and any successor statute thereto.

"Pledged Collateral" has the meaning assigned to such term in Section 2 hereof.

"Pledged Entity" means an issuer of Pledged Shares or Pledged Indebtedness.

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“Pledged Indebtedness” means the Indebtedness evidenced by promissory notes and instruments listed on Part B of Schedule I hereto;

“Pledged Shares” means those shares of capital stock and/or other equity securities and ownership interests listed on Part A of Schedule I hereto.

“Secured Obligations” has the meaning assigned to such term in Section 3 hereof.

2. Pledge. Each Pledgor hereby pledges to Agent, and grants to Agent for itself and the benefit of Lenders, a first priority security interest in all of the following (collectively, the “Pledged Collateral”):

(a) the Pledged Shares and the certificates representing the Pledged Shares, and all dividends, distributions, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares; and

(b) such portion, as determined by Agent as provided in Section 6(d) below, of any additional shares of capital stock and/or other equity securities and ownership interests, as applicable, of a Pledged Entity from time to time acquired by such Pledgor in any manner (which shares shall be deemed to be part of the Pledged Shares), and the certificates representing such additional shares, if any, and all dividends, distributions, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such additional stock; and

(c) the Pledged Indebtedness and the promissory notes or instruments evidencing the Pledged Indebtedness, and all interest, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of the Pledged Indebtedness; and

(d) all additional Debt arising after the date hereof and owing to Pledgor by any Pledged Entity and evidenced by promissory notes or other instruments, together with such promissory notes and instruments, and all interest, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of that Pledged Indebtedness.

3. Security for Obligations. This Agreement secures, and the Pledged Collateral is security for, the prompt payment in full when due, whether at stated maturity, by acceleration or otherwise, and performance of all Obligations of any kind under or in connection with the Loan Agreement and the other Loan Documents and all obligations of each Pledgor now or hereafter existing under this Agreement including, without limitation, all fees, costs and expenses whether in connection with collection actions hereunder or otherwise (collectively, the “Secured Obligations”).

4. Delivery of Pledged Collateral. All certificates, if any, and all promissory notes and instruments evidencing the Pledged Collateral shall be delivered to and held by or on behalf of Agent, for itself and the benefit of Lenders, pursuant hereto. All Pledged Shares which are

Pledge Agreement

represented by certificates shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Agent and all promissory notes or other instruments evidencing the Pledged Indebtedness shall be endorsed by the applicable Pledgor.

5. Representations and Warranties. Each Pledgor represents and warrants to Agent that:

(a) such Pledgor is, and at the time of delivery of the Pledged Shares to Agent will be, the sole holder of record and the sole beneficial owner of such Pledged Collateral pledged by Pledgor free and clear of any Lien thereon or affecting the title thereto, except for any Lien created by this Agreement or any Lien in favor of the Tranche B Agent; such Pledgor is and at the time of delivery of the Pledged Indebtedness to Agent will be, the sole owner of such Pledged Collateral free and clear of any Lien thereon or affecting title thereto, except for (i) any Lien created by this Agreement or any Lien in favor of the Tranche B Agent and (ii) common law rights of offset and similar rights solely with respect to Pledged Indebtedness;

(b) All of the Pledged Shares have been duly authorized, validly issued and are fully paid and non-assessable; the Pledged Indebtedness has been duly authorized, authenticated or issued and delivered by, and is the legal, valid and binding obligations of, the Pledged Entities, and no such Pledged Entity is in default thereunder;

(c) such Pledgor has the right and requisite authority to pledge, assign, transfer, deliver, deposit and set over the Pledged Collateral pledged by Pledgor to Agent as provided herein;

(d) None of the Pledged Shares or Pledged Indebtedness has been issued or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which such issuance or transfer may be subject;

(e) All of the Pledged Shares are presently owned by one or more Pledgors, and, if certificated, are presently represented by the certificates listed on Part A of Schedule I hereto. Other than as set forth on Part A of Schedule I hereto, no membership or other equity certificates have been issued to Pledgor by any Pledged Entity and Pledgor agrees that it will not allow any Pledged Entity to issue any such certificates representing the Pledged Collateral unless such certificates are delivered to Agent in accordance with this Agreement. As of the date hereof, there are no existing options, warrants, calls or commitments of any character whatsoever relating to the Pledged Shares;

(f) No consent, approval, authorization or other order or other action by, and no notice to or filing with, any Governmental Authority or any other Person is required (i) for the pledge by such Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by such Pledgor, or (ii) for the exercise by Agent of the voting or other rights provided for in this Agreement or the remedies in respect of the Pledged Collateral pursuant to this Agreement, except as may be required by laws affecting the voting, offering and sale of securities generally;

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(g) The pledge, assignment and delivery of the Pledged Collateral pursuant to this Agreement will create a valid first priority Lien on and a first priority perfected security interest in favor of the Agent for the benefit of Agent and Lenders in the Pledged Collateral and the proceeds thereof, securing the payment of the Secured Obligations, subject to no other Lien other than common law rights of offset and similar rights solely with respect to Pledged Indebtedness and the Lien in favor of the Tranche B Agent;

(h) This Agreement has been duly authorized, executed and delivered by such Pledgor and constitutes a legal, valid and binding obligation of such Pledgor enforceable against such Pledgor in accordance with its terms;

(i) The Pledged Shares constitute the entire interest of Pledgor in the capital stock and/or other equity securities and ownership interests of each Pledged Entity; and

(j) Except as disclosed on Part B of Schedule I, none of the Pledged Indebtedness is subordinated in right of payment to other Debt (except for the Secured Obligations) or subject to the terms of an indenture.

The representations and warranties set forth in this Section 5 shall survive the execution and delivery of this Agreement.

6. Covenants. Each Pledgor covenants and agrees that until the Commitment Termination Date:

(a) Without the prior written consent of Agent, Pledgor will not sell, assign, transfer, pledge, or otherwise encumber any of its rights in or to the Pledged Collateral, or any unpaid dividends, interest or other distributions or payments with respect to the Pledged Collateral or grant a Lien in the Pledged Collateral, unless otherwise expressly permitted by the Loan Agreement;

(b) such Pledgor will, at its expense, promptly execute, acknowledge and deliver all such instruments and take all such actions as Agent from time to time may request in order to ensure to Agent and Lenders the benefits of the Liens in and to the Pledged Collateral intended to be created by this Agreement, including the filing of any necessary UCC financing statements, which may be filed by Agent with or (to the extent permitted by law) without the signature of such Pledgor, and will cooperate with Agent, at such Pledgor's expense, in obtaining all necessary approvals and making all necessary filings under federal, state, local or foreign law in connection with such Liens or any sale or transfer of the Pledged Collateral;

(c) such Pledgor has and will defend the title to the Pledged Collateral and the Liens of Agent in the Pledged Collateral against the claim of any Person and will maintain and preserve such Liens; and

(d) such Pledgor will, upon obtaining ownership of any additional capital stock and/or other equity securities and ownership interests or promissory notes or instruments of a Pledged Entity or capital stock and/or other equity securities and ownership interests or promissory notes or instruments otherwise required to be pledged to Agent pursuant to any of the

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Loan Documents, which capital stock and/or other equity securities and ownership interests, notes or instruments are not already Pledged Collateral, promptly deliver to Agent a Pledge Amendment, duly executed by Pledgor, in substantially the form of Schedule II hereto (a "Pledge Amendment") in respect of any such additional capital stock and/or other equity securities and ownership interests, notes or instruments, pursuant to which Pledgor shall pledge to Agent all of such additional capital stock and/or other equity securities and ownership interests, notes and instruments. Each Pledgor hereby authorizes Agent to attach each Pledge Amendment to this Agreement and agrees that all Pledged Shares and Pledged Indebtedness listed on any Pledge Amendment delivered to Agent shall for all purposes hereunder be considered Pledged Collateral.

7. Pledgors' Rights. As long as no Event of Default shall have occurred and be continuing and until written notice shall be given to Pledgors in accordance with Section 8(a), hereof:

(a) Each Pledgor, as applicable, shall have the right, from time to time, to vote and give consents with respect to the Pledged Collateral, or any part thereof for all purposes not inconsistent with the provisions of this Agreement, the Loan Agreement or any other Loan Document; provided, however, that no vote shall be cast, and no consent shall be given or action taken, which would have the effect of impairing the position or interest of Agent in respect of the Pledged Collateral or which would authorize, effect or consent to (unless and to the extent expressly permitted by the Loan Agreement):

(i) the dissolution or liquidation, in whole or in part, of a Pledged Entity other than into IES or a Pledged Entity;

(ii) the consolidation or merger of a Pledged Entity with any other Person other than into IES or a Pledged Entity;

(iii) any change in the authorized number of shares, the stated capital or the authorized share capital of a Pledged Entity or the issuance of any additional shares of its capital stock and/or other equity securities and ownership interests unless all such additional shares, capital stock, equity securities or ownership interests constitute Pledged Collateral and any certificates in respect thereof are promptly delivered to Agent; or

(iv) the alteration of the voting rights with respect to the capital stock and/or other equity securities and ownership interests of a Pledged Entity.

(b) (i) Each Pledgor, as applicable, shall be entitled, from time to time, to collect and receive for its own use all cash dividends and interest paid in respect of the Pledged Shares and Pledged Indebtedness to the extent not in violation of the Loan Agreement other than any and all: (A) dividends and interest paid or payable other than in cash in respect of any Pledged Collateral, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral; (B) dividends and other distributions paid or payable in cash in respect of any Pledged Shares in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in capital of a Pledged Entity; and (C) cash paid, payable or otherwise distributed, in respect

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of principal of, or in redemption of, or in exchange for, any Pledged Collateral; provided, however, that until actually paid all rights to such distributions shall remain subject to the Lien created by this Agreement; and

(ii) all dividends and interest (other than such cash dividends and interest as are permitted to be paid to Pledgor in accordance with clause (j) above) and all other distributions in respect of any of the Pledged Shares or Pledged Indebtedness, whenever paid or made, shall be delivered to Agent to hold as Pledged Collateral and shall, if received by Pledgor, be received in trust for the benefit of Agent, be segregated from the other property or funds of Pledgor, and be forthwith delivered to Agent as Pledged Collateral in the same form as so received (with any necessary endorsement).

8. Defaults and Remedies; Proxy.

(a) Upon the occurrence of an Event of Default and during the continuation of such Event of Default, and concurrently with written notice to Pledgors, Agent (personally or through an agent) is hereby authorized and empowered to transfer and register in its name or in the name of its nominee the whole or any part of the Pledged Collateral, to exchange certificates or instruments, if any, representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations, to exercise the voting and all other rights as a holder with respect thereto, to collect and receive all cash dividends, interest, principal and other distributions made thereon, to sell in one or more sales after ten (10) days' notice of the time and place of any public sale or of the time at which a private sale is to take place (which notice Pledgor agrees is commercially reasonable) the whole or any part of the Pledged Collateral and to otherwise act with respect to the Pledged Collateral as though Agent was the outright owner thereof. Any sale shall be made at a public or private sale at Agent's place of business, or at any place to be named in the notice of sale, either for cash or upon credit or for future delivery at such price as Agent may deem fair, and Agent may be the purchaser of the whole or any part of the Pledged Collateral so sold and hold the same thereafter in its own right free from any claim of Pledgors or any right of redemption. Each sale shall be made to the highest bidder, but Agent reserves the right to reject any and all bids at such sale which, in its discretion, it shall deem inadequate. Demands of performance, except as otherwise herein specifically provided for, notices of sale, advertisements and the presence of property at sale are hereby waived and any sale hereunder may be conducted by an auctioneer or any officer or agent of Agent. EACH PLEDGOR HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS AGENT AS THE PROXY AND ATTORNEY-IN-FACT OF SUCH PLEDGOR WITH RESPECT TO THE PLEDGED COLLATERAL, INCLUDING THE RIGHT TO VOTE THE PLEDGED SHARES, WITH FULL POWER OF SUBSTITUTION TO DO SO. THE APPOINTMENT OF AGENT AS PROXY AND ATTORNEY-IN-FACT IS COUPLED WITH AN INTEREST AND SHALL BE IRREVOCABLE UNTIL THE COMMITMENT TERMINATION DATE. IN ADDITION TO THE RIGHT TO VOTE THE PLEDGED SHARES, THE APPOINTMENT OF AGENT AS PROXY AND ATTORNEY-IN-FACT SHALL INCLUDE THE RIGHT TO EXERCISE ALL OTHER RIGHTS, POWERS, PRIVILEGES AND REMEDIES TO WHICH A HOLDER OF THE PLEDGED SHARES WOULD BE ENTITLED (INCLUDING GIVING OR WITHHOLDING WRITTEN CONSENTS OF SHAREHOLDERS, CALLING SPECIAL MEETINGS OF SHAREHOLDERS AND VOTING AT SUCH MEETINGS). SUCH PROXY

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AND APPOINTMENT AS ATTORNEY-IN-FACT SHALL BE EFFECTIVE, AUTOMATICALLY AND WITHOUT THE NECESSITY OF ANY ACTION (INCLUDING ANY TRANSFER OF ANY PLEDGED SHARES ON THE RECORD BOOKS OF THE ISSUER THEREOF) BY ANY PERSON (INCLUDING THE ISSUER OF THE PLEDGED SHARES OR ANY OFFICER OR AGENT THEREOF), UPON THE OCCURRENCE AND DURING THE CONTINUANCE OF AN EVENT OF DEFAULT. NOTWITHSTANDING THE FOREGOING, AGENT SHALL NOT HAVE ANY DUTY TO EXERCISE ANY SUCH RIGHT OR TO PRESERVE THE SAME AND SHALL NOT BE LIABLE FOR ANY FAILURE TO DO SO OR FOR ANY DELAY IN DOING SO.

(b) If, at the original time or times appointed for the sale of the whole or any part of the Pledged Collateral, the highest bid, if there be but one sale, shall be inadequate to discharge in full all the Secured Obligations, or if the Pledged Collateral be offered for sale in lots, if at any of such sales, the highest bid for the lot offered for sale would indicate to Agent, in its discretion, that the proceeds of the sales of the whole of the Pledged Collateral would be unlikely to be sufficient to discharge all the Secured Obligations, Agent may, on one or more occasions and in its discretion, postpone any of said sales by public announcement at the time of sale or the time of previous postponement of sale, and no other notice of such postponement or postponements of sale need be given, any other notice being hereby waived; provided, however, that any sale or sales made after such postponement shall be after ten (10) days' notice to Pledgors.

(c) If, at any time when Agent in its sole discretion determines, following the occurrence and during the continuance of an Event of Default, that, in connection with any actual or contemplated exercise of its rights (when permitted under this Section 8) to sell the whole or any part of the Pledged Shares hereunder, it is necessary or advisable to effect a public registration of all or part of the Pledged Collateral pursuant to the Securities Act of 1933, as amended (or any similar statute then in effect) (the "Act"), each Pledgor shall, in an expeditious manner, cause the Pledged Entities to:

(i) Prepare and file with the Securities and Exchange Commission (the "Commission") a registration statement with respect to the Pledged Shares and in good faith use commercially reasonable efforts to cause such registration statement to become and remain effective;

(ii) Prepare and file with the Commission 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 and to comply with the provisions of the Act with respect to the sale or other disposition of the Pledged Shares covered by such registration statement whenever Agent shall desire to sell or otherwise dispose of the Pledged Shares;

(iii) Furnish to Agent such numbers of copies of a prospectus and a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as Agent may request in order to facilitate the public sale or other disposition of the Pledged Shares by Agent;

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(iv) Use commercially reasonable efforts to register or qualify the Pledged Shares covered by such registration statement under such other securities or blue sky laws of such jurisdictions within the United States and Puerto Rico as Agent shall request, and do such other reasonable acts and things as may be required of it to enable Agent to consummate the public sale or other disposition in such jurisdictions of the Pledged Shares by Agent;

(v) Furnish, at the request of Agent, on the date that shares of the Pledged Collateral are delivered to the underwriters for sale pursuant to such registration or, if the security is not being sold through underwriters, on the date that the registration statement with respect to such Pledged Shares becomes effective, (A) an opinion, dated such date, of the independent counsel representing such registrant for the purposes of such registration, addressed to the underwriters, if any, and in the event the Pledged Shares are not being sold through underwriters, then to Agent, in customary form and covering matters of the type customarily covered in such legal opinions; and (B) a comfort letter, dated such date, from the independent certified public accountants of such registrant, addressed to the underwriters, if any, and in the event the Pledged Shares are not being sold through underwriters, then to Agent, in a customary form and covering matters of the type customarily covered by such comfort letters and as the underwriters or Agent shall reasonably request. The opinion of counsel referred to above shall additionally cover such other legal matters with respect to the registration in respect of which such opinion is being given as Agent may reasonably request. The letter referred to above from the independent certified public accountants shall additionally cover such other financial matters (including information as to the period ending not more than five (5) Business Days prior to the date of such letter) with respect to the registration in respect of which such letter is being given as Agent may reasonably request; and

(vi) Otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable but not later than 18 months after the effective date of the registration statement, an earnings statement covering the period of at least 12 months beginning with the first full month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Act.

(d) All expenses incurred in complying with Section 8(c) hereof, including, without limitation, all registration and filing fees (including all expenses incident to filing with the National Association of Securities Dealers, Inc.), printing expenses, fees and disbursements of counsel for the registrant, the fees and expenses of counsel for Agent, expenses of the independent certified public accountants (including any special audits incident to or required by any such registration) and expenses of complying with the securities or blue sky laws or any jurisdictions, shall be paid by Pledgor.

(e) If, at any time when Agent shall determine to exercise its right to sell the whole or any part of the Pledged Collateral hereunder, such Pledged Collateral or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Act, Agent

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may, in its discretion (subject only to applicable requirements of law), sell such Pledged Collateral or part thereof by private sale in such manner and under such circumstances as Agent may deem necessary or advisable, but subject to the other requirements of this Section 8, and shall not be required to effect such registration or to cause the same to be effected. Without limiting the generality of the foregoing, in any such event, Agent in its discretion (x) may, in accordance with applicable securities laws, proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Pledged Collateral or part thereof could be or shall have been filed under said Act (or similar statute), (y) may approach and negotiate with a single possible purchaser to effect such sale, and (z) may restrict such sale to a purchaser who is an accredited investor under the Act and who will represent and agree that such purchaser is purchasing for its own account, for investment and not with a view to the distribution or sale of such Pledged Collateral or any part thereof. In addition to a private sale as provided above in this Section 8, if any of the Pledged Collateral shall not be freely distributable to the public without registration under the Act (or similar statute) at the time of any proposed sale pursuant to this Section 8, then Agent shall not be required to effect such registration or cause the same to be effected but, in its discretion (subject only to applicable requirements of law), may require that any sale hereunder (including a sale at auction) be conducted subject to restrictions:

(i) as to the financial sophistication and ability of any Person permitted to bid or purchase at any such sale;

(ii) as to the content of legends to be placed upon any certificates representing the Pledged Collateral sold in such sale, including restrictions on future transfer thereof;

(iii) as to the representations required to be made by each Person bidding or purchasing at such sale relating to that Person's access to financial information about Pledgor and such Person's intentions as to the holding of the Pledged Collateral so sold for investment for its own account and not with a view to the distribution thereof; and

(iv) as to such other matters as Agent may, in its discretion, deem necessary or appropriate in order that such sale (notwithstanding any failure so to register) may be effected in compliance with the Bankruptcy Code and other laws affecting the enforcement of creditors' rights and the Act and all applicable state securities laws.

(f) Each Pledgor recognizes that Agent may be unable to effect a public sale of any or all the Pledged Collateral and may be compelled to resort to one or more private sales thereof in accordance with clause (e) above. Each Pledgor also acknowledges that any such private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall not be deemed to have been made in a commercially unreasonable manner solely by virtue of such sale being private. Agent shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit the Pledged Entity to register such securities

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for public sale under the Act, or under applicable state securities laws, even if Pledgor and the Pledged Entity would agree to do so.

(g) Each Pledgor agrees to the maximum extent permitted by applicable law that following the occurrence and during the continuance of an Event of Default it will not at any time plead, claim or take the benefit of any appraisal, valuation, stay, extension, moratorium or redemption law now or hereafter in force in order to prevent or delay the enforcement of this Agreement, or the absolute sale of the whole or any part of the Pledged Collateral or the possession thereof by any purchaser at any sale hereunder, and such Pledgor waives the benefit of all such laws to the extent it lawfully may do so. Each Pledgor agrees that it will not interfere with any right, power and remedy of Agent provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise or beginning of the exercise by Agent of any one or more of such rights, powers or remedies. No failure or delay on the part of Agent to exercise any such right, power or remedy and no notice or demand which may be given to or made upon any Pledgor by Agent with respect to any such remedies shall operate as a waiver thereof, or limit or impair Agent's right to take any action or to exercise any power or remedy hereunder, without notice or demand, or prejudice its rights as against any Pledgor in any respect.

(h) Each Pledgor further agrees that a breach of any of the covenants contained in this Section 8 will cause irreparable injury to Agent, that Agent shall have no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this Section 8 shall be specifically enforceable against such Pledgor, and each Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for (i) a defense that the Secured Obligations are not then due and payable in accordance with the agreements and instruments governing and evidencing such obligations or (ii) a defense that no Event of Default has occurred and is continuing.

9. Waiver. No delay on Agent's part in exercising any power of sale, Lien, option or other right hereunder, and no notice or demand which may be given to or made upon any Pledgor by Agent with respect to any power of sale, Lien, option or other right hereunder, shall constitute a waiver thereof, or limit or impair Agent's right to take any action or to exercise any power of sale, Lien, option, or any other right hereunder, without notice or demand, or prejudice Agent's rights as against any Pledgor in any respect.

10. Assignment. Agent may assign, indorse or transfer any instrument evidencing all or any part of the Secured Obligations as provided in, and in accordance with, the Loan Agreement, and the holder of such instrument shall be entitled to the benefits of this Agreement.

11. Termination. Immediately following the Commitment Termination Date, Agent shall deliver to Pledgor the Pledged Collateral pledged by such Pledgor at the time subject to this Agreement and all instruments of assignment executed in connection therewith, free and clear of the Liens hereof and, except as otherwise provided herein, all of such Pledgor's obligations hereunder shall at such time terminate.

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12. Lien Absolute. All rights of Agent hereunder, and all obligations of each Pledgor hereunder, shall be absolute and unconditional irrespective of:

- (a) any lack of validity or enforceability of the Loan Agreement, any other Loan Document or any other agreement or instrument governing or evidencing any Secured Obligations;
- (b) any change in the time, manner or place of payment of, or in any other term of, all or any part of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Loan Agreement, any other Loan Document or any other agreement or instrument governing or evidencing any Secured Obligations;
- (c) any exchange, release or non-perfection of any other Collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Secured Obligations;
- (d) the insolvency of any Credit Party; or
- (e) any other circumstance which might otherwise constitute a defense available to, or a discharge of, any Pledgor other than the payment and performance in full of the Secured Obligations.

13. Release. Each Pledgor consents and agrees that Agent may at any time, or from time to time, in its discretion:

- (a) to the extent permitted by the Loan Documents, renew, extend or change the time of payment, and/or the manner, place or terms of payment of all or any part of the Secured Obligations; and
- (b) to the extent permitted by the Loan Documents, exchange, release and/or surrender all or any of the Collateral (including the Pledged Collateral), or any part thereof, by whomsoever deposited, which is now or may hereafter be held by Agent in connection with all or any of the Secured Obligations; all in such manner and upon such terms as Agent may deem proper, and without notice to or further assent from Pledgor, it being hereby agreed that Pledgor shall be and remain bound upon this Agreement, irrespective of the value or condition of any of the Collateral, and notwithstanding any such change, exchange, settlement, compromise, surrender, release, renewal or extension, and notwithstanding also that the Secured Obligations may, at any time, exceed the aggregate principal amount thereof set forth in the Loan Agreement, or any other agreement governing any Secured Obligations. Pledgor hereby waives notice of acceptance of this Agreement, and also presentment, demand, protest and notice of dishonor of any and all of the Secured Obligations, and promptness in commencing suit against any party hereto or liable hereon, and in giving any notice to or of making any claim or demand hereunder upon Pledgor. No act or omission of any kind on Agent's part shall in any event affect or impair this Agreement.

14. Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Pledgor or any Pledged Entity for

Pledge Agreement

liquidation or reorganization, should any Pledgor or any Pledged Entity become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of any Pledgor's or a Pledged Entity's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

15. Miscellaneous.

(a) Agent may execute any of its duties hereunder by or through agents or employees and shall be entitled to advice of counsel concerning all matters pertaining to its duties hereunder.

(b) Pledgors agree to promptly reimburse Agent for actual out-of-pocket expenses, including, without limitation, reasonable counsel fees, incurred by Agent in connection with the administration and enforcement of this Agreement.

(c) Neither Agent, nor any of its respective officers, directors, employees, agents or counsel shall be liable for any action lawfully taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(d) THIS AGREEMENT SHALL BE BINDING UPON EACH PLEDGOR AND ITS SUCCESSORS AND ASSIGNS (INCLUDING A DEBTOR-IN-POSSESSION ON BEHALF OF PLEDGOR), AND SHALL INURE TO THE BENEFIT OF, AND BE ENFORCEABLE BY, AGENT AND ITS SUCCESSORS AND ASSIGNS, AND SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE, AND NONE OF THE TERMS OR PROVISIONS OF THIS AGREEMENT MAY BE WAIVED, ALTERED, MODIFIED OR AMENDED EXCEPT IN WRITING DULY SIGNED FOR AND ON BEHALF OF AGENT AND PLEDGORS.

16. Severability. If for any reason any provision or provisions hereof are determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those portions of this Agreement which are valid.

17. Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give or serve upon any other a communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in accordance with the terms of Section 14.9 of the Loan Agreement.

Pledge Agreement

18. Section Titles. The Section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

19. Counterparts. This Agreement may be executed in any number of counterparts, which shall, collectively and separately, constitute one agreement.

20. Benefit of Lenders. All security interests granted or contemplated hereby shall be for the benefit of Agent and Lenders, and all proceeds or payments realized from the Pledged Collateral in accordance herewith shall be applied to the Obligations in accordance with the terms of the Loan Agreement.

21. ENTIRE AGREEMENT; RELEASE. THIS AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE ENTIRE, FINAL AGREEMENT AND UNDERSTANDING CONCERNING THE SUBJECT MATTER HEREOF AND THEREOF BETWEEN THE PARTIES HERETO, AND SUPERSEDES ALL OTHER PRIOR AGREEMENTS, UNDERSTANDINGS, NEGOTIATIONS AND DISCUSSIONS, REPRESENTATIONS, WARRANTIES, COMMITMENTS, PROPOSALS, OFFERS AND CONTRACTS CONCERNING THE SUBJECT MATTER HEREOF, WHETHER ORAL OR WRITTEN. THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, ANY SUPPLEMENTS HERETO OR THERETO, AND ANY INSTRUMENTS OR DOCUMENTS DELIVERED OR TO BE DELIVERED IN CONNECTION HERewith OR THEREWITH MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES HERETO. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE TERMS OF THIS AGREEMENT AND ANY SCHEDULE OR EXHIBIT HERETO, THE TERMS OF THIS AGREEMENT SHALL GOVERN. EXECUTION OF THIS AGREEMENT BY PLEDGORS CONSTITUTES A FULL, COMPLETE AND IRREVOCABLE RELEASE OF ANY AND ALL CLAIMS WHICH PLEDGORS MAY HAVE AT LAW OR IN EQUITY IN RESPECT OF ALL PRIOR DISCUSSIONS AND UNDERSTANDINGS, ORAL OR WRITTEN, RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. NEITHER AGENT NOR ANY LENDER SHALL BE LIABLE TO ANY PLEDGOR OR ANY OTHER PERSON ON ANY THEORY OF LIABILITY FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES.

[signature page follows]

Pledge Agreement

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

INTEGRATED ELECTRICAL SERVICES, INC

By: /s/ Curt L. Warnock

Name: Curt L. Warnock

Title: Senior Vice President

BEXAR ELECTRIC COMPANY, LTD

By: BW/BEC, Inc., its general partner

By: /s/ Curt L. Warnock

Curt L. Warnock

Vice President

Pledge Agreement

BEAR ACQUISITION CORPORATION
BW/BEC , INC.
BW CONSOLIDATED, INC.
CHARLES P. BAGBY CO., INC.
DANIEL ELECTRICAL CONTRACTORS, INC.
EMC ACQUISITION CORPORATION
GENERAL PARTNER, INC.
HOUSTON-STAFFORD ELECTRIC HOLDINGS III, INC.
HOUSTON-STAFFORD MANAGEMENT LLC
ICS HOLDINGS, LLC
IES AUSTIN, INC.
IES AUSTIN MANAGEMENT LLC
IES COLLEGE STATION, INC
IES COLLEGE STATION MANAGEMENT LLC
IES CONTRACTORS MANAGEMENT LLC
IES ENC, INC.
IES ENC MANAGEMENT, INC
IES OPERATIONS GROUP, INC
IES PROPERTIES, INC.
IES PROPERTIES MANAGEMENT, INC.
IES RESIDENTIAL GROUP, INC
J.W. GRAY ELECTRIC CO., INC.
J.W. GRAY MANAGEMENT LLC
MARK HENDERSON, INCORPORATED
MID-STATES ELECTRIC COMPANY, INC.
MILLS ELECTRICAL CONTRACTORS, INC.
MILLS MANAGEMENT LLC
NBH HOLDING CO., INC.
NEAL ELECTRICAL MANAGEMENT LLC
PAN AMERICAN ELECTRIC, INC.
POLLOCK ELECTRIC, INC.
RAINES ELECTRIC CO., INC.
RAINES MANAGEMENT LLC
SUMMIT ELECTRIC OF TEXAS, INC.
TESLA POWER GP, INC.

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

Pledge Agreement

IES AUSTIN HOLDING LP
By: IES Austin Management LLC, its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

IES COLLEGE STATION HOLDING LP
By: IES College Station Management LLC, its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Title: Vice President

IES FEDERAL CONTRACT GROUP, L.P.
By: IES Contractors Management LLC, its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Title: Vice President

IES MANAGEMENT ROO, LP
By: Neal Electric Management LLC, its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Title: Vice President

IES MANAGEMENT , LP
By: IES Residential Group, Inc., its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Title: Vice President

IES PROPERTIES , LP
By: IES Properties Management, Inc., its general partner

Name: /s/ Curt L. Warnock
Curt L. Warnock
Title: Vice President

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BEXAR ELECTRIC II LLC
BW/BEC II LLC
HOUSTON-STAFFORD HOLDINGS II LLC
IES AUSTIN HOLDINGS II LLC
IES COLLEGE STATION HOLDINGS II LLC
IES CONTRACTORS HOLDINGS LLC
IES HOLDINGS II LLC
IES PROPERTIES HOLDINGS II LLC
J.W. GRAY HOLDINGS II LLC
MILLS ELECTRIC HOLDINGS II LLC
POLLOCK SUMMIT HOLDINGS II LLC
RAINES HOLDINGS II LLC
TESLA POWER (NEVADA) II LLC

By: /s/ Victor Duva
Victor Duva, Manager

Pledge Agreement

BW/BEC, L.L.C.
HOUSTON-STAFFORD HOLDINGS LLC
IES AUSTIN HOLDINGS LLC
IES COLLEGE STATION HOLDINGS LLC
IES HOLDINGS LLC
J.W. GRAY HOLDINGS LLC
MILLS ELECTRICAL HOLDINGS LLC
POLLOCK SUMMIT HOLDINGS INC.
RAINES HOLDINGS LLC
TESLA POWER (NEVADA), INC.

By: /s/ Victor Duva
Victor Duva, President

Pledge Agreement

BANK OF AMERICA, N.A.

By: /s/ H. Michael Wills
Name: H. Michael Wills
Title: Senior Vice President

Pledge Agreement

SCHEDULE I
PART A
PLEDGED SHARES

Pledged Entity	Class of Capital Stock or other Equity Securities	Certificate No.	No. of Shares (Common Stock)	Percentage of Outstanding Shares	Pledgor
Aladdin Ward Electric & Air, Inc.	Common	004	1,000	100	Integrated Electrical Services, Inc.
Amber Electric, Inc.	Common	013	561	100	Integrated Electrical Services, Inc.
ARC Electric, Incorporated	Common	002	1,000	100	Integrated Electrical Services, Inc.
Bachofner Electric, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Bear Acquisition Corporation	Common	002	1,000	100	Integrated Electrical Services, Inc.
Bexar Electric Company, Ltd.	Common	N/A	N/A	99	BW/BEC II LLC
Bexar Electric Company, Ltd.	Common	N/A	N/A	1	BW/BEC, Inc.
Bexar Electric II LLC	Common	N/A	N/A	N/A	Bexar Electric Company, Ltd.
Brink Electric Construction Co.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Bryant Electric Company, Inc.	Common	388	36,703	100	Integrated Electrical Services, Inc.
BW Consolidated, Inc.	Common	012	20,000	100	Integrated Electrical Services, Inc.
BW/BEC II LLC	Common	N/A	N/A	N/A	BW/BEC LLC
BW/BEC, Inc.	Common	002	1,000	100	BW Consolidated, Inc.
BWBEC, L.L.C.	Common	N/A	N/A	N/A	BW Consolidated, Inc.
Charles P. Bagby Co., Inc.	Common	003	10,000	100	Integrated Electrical Services, Inc.
Collier Electric Company, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Commercial Electrical Contractors, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Cross State Electric, Inc.	Common	017	1,400	100	Integrated Electrical Services, Inc.
Cypress Electrical Contractors, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Daniel Electrical Contractors, Inc.	Common	004	7,500	100	Integrated Electrical Services, Inc.
Daniel Electrical of Treasure Coast Inc.	Common	003	100	100	Integrated Electrical Services, Inc.
Daniel Integrated Technologies, Inc.	Common	003	1,000	100	Daniel Electrical Contractors, Inc.

Pledge Agreement — Schedule I

Pledged Entity	Class of Capital Stock or other Equity Securities	Certificate No.	No. of Shares (Common Stock)	Percentage of Outstanding Shares	Pledgor
Davis Electrical Constructors, Inc.	Common	025	500,000	100	Integrated Electrical Services, Inc.
Electro-Tech, Inc.	Common	032	1,000	100	Integrated Electrical Services, Inc.
EMC Acquisition Corporation	Common	002	1,000	100	Integrated Electrical Services, Inc.
Federal Communications Group, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
General Partner, Inc.	Common	007	900	100	Integrated Electrical Services, Inc.
H. R. Allen, Inc.	Common	004	1,000	100	Integrated Electrical Services, Inc.
Hatfield Reynolds Electric Company	Common	004	10,000	100	Integrated Electrical Services, Inc.
Haymaker Electric, Ltd.	Common	N/A	N/A	10	General Partner, Inc.
Haymaker Electric, Ltd.	Common	N/A	N/A	90	Charles P. Bagby Co., Inc.
Holland Electrical Systems, Inc.	Common	003	1,000	100	Mark Henderson, Incorporated
Houston-Stafford Electric Contractors LP	Common	N/A	N/A	1	Houston-Stafford Management LLC
Houston-Stafford Electric Contractors LP	Common	N/A	N/A	99	Houston-Stafford Holdings II LLC
Houston-Stafford Electric Holdings III, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Houston Stafford Holdings II LLC	Common	N/A	N/A	N/A	Houston-Stafford Holdings LLC
Houston Stafford Holdings LLC	Common	N/A	N/A	N/A	Houston-Stafford Holdings III, Inc.
Houston Stafford Management LLC	Common	N/A	N/A	N/A	Houston-Stafford Electric Holdings III, Inc.
ICS Holdings LLC	Common	N/A	N/A	N/A	IES Operations Group, Inc.
IES Albuquerque, Inc.	Common	009	342	100	NBH Holding Co., Inc.
IES Austin Holding LP	Common	N/A	N/A	99	IES Austin Holdings II LLC
IES Austin Holding LP	Common	N/A	N/A	1	IES Austin Management
IES Austin Holdings II LLC	Common	N/A	N/A	N/A	IES Austin Holdings LLC
IES Austin Holdings LLC	Common	N/A	N/A	N/A	IES Austin, Inc.
IES Austin, Inc.	Common	003	1,000	100	Integrated Electrical Services, Inc.
IES Charlotte, Inc.	Common	003	1,000	100	Integrated Electrical Services, Inc.
IES College Station Holdings II LLC	Common	N/A	N/A	N/A	IES College Station Holdings LLC

Pledge Agreement — Schedule I

Pledged Entity	Class of Capital Stock or other Equity Securities	Certificate No.	No. of Shares (Common Stock)	Percentage of Outstanding Shares	Pledgor
IES College Station Holdings LLC	Common	N/A	N/A	N/A	IES College Station, Inc.
IES College Station Holdings LP	Common	N/A	N/A	1	IES College Station Management LLC
IES College Station Holdings LP	Common	N/A	N/A	99	IES College Station Holdings II, LLC
IES College Station, Inc.	Common	003	1,000	100	Integrated Electrical Services, Inc.
IES College Station Management LLC	Common	N/A	N/A	N/A	IES College Station, Inc.
IES Communications, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
IES Contractors Holdings LLC	Common	N/A	N/A	N/A	Bear Acquisition Corporation
IES Contractors, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
IES Contractors Management LLC	Common	N/A	N/A	N/A	Bear Acquisition Corporation
IES Decatur, Inc.	Common	003	1,000	100	Integrated Electrical Services, Inc.
IES East McKeesport, Inc.	Common	003	1,000	100	EMC Acquisition Corporation.
IES ENC Management, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
IES ENC, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
IES Federal Contract Group LP	Common	N/A	N/A	1	IES Contractors Management LLC
IES Federal Contract Group LP	Common	N/A	N/A	99	IES Contractors Holdings LLC
IES Holdings II LLC	Common	N/A	N/A	N/A	IES Holdings LLC
IES Holdings, LLC	Common	N/A	N/A	N/A	Integrated Electrical Services, Inc.
IES Management, LP	Common	N/A	N/A	1	IES Residential Group, Inc.
IES Management, LP	Common	N/A	N/A	99	IES Holdings II, LLC
IES Management ROO, LP	Common	N/A	N/A	1	Neal Electric Mgmt LLC
IES Management ROO, LP	Common	N/A	N/A	99	ICS Holdings LLC
IES Meridian, Inc.	Common	003	1,000	100	Integrated Electrical Services, Inc.
IES New Iberia, Inc.	Common	003	1,000	100	Integrated Electrical Services, Inc.
IES Oklahoma City, Inc.	Common	003	1,000	100	Integrated Electrical Services, Inc.
IES Operations Group, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
IES Properties Holdings, Inc.	Common	002	1,000	100	IES Properties, Inc.
IES Properties Holdings II LLC	Common	N/A	N/A	N/A	IES Properties Holding, Inc.

Pledge Agreement — Schedule I

Pledged Entity	Class of Capital Stock or other Equity Securities	Certificate No.	No. of Shares (Common Stock)	Percentage of Outstanding Shares	Pledgor
IES Properties Management, Inc.	Common	002	1,000	100	IES Properties, Inc.
IES Properties, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
IES Properties, LP	Common	N/A	N/A	99	IES Properties Holdings, LLC
IES Properties, LP	Common	N/A	N/A	1	IES Properties Management, Inc.
IES Raleigh, Inc.	Common	003	1,000	100	Integrated Electrical Services, Inc.
IES Reinsurance, Ltd.	Common	002	120,000	100	Integrated Electrical Services, Inc.
IES Residential Group, Inc.	Common	003	1,000	100	Integrated Electrical Services, Inc.
IES Specialty Lighting, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
IES Valdosta, Inc.	Common	008	14,300	100	Integrated Electrical Services, Inc.
IES Ventures Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
IES Wilson, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Integrated Electrical Finance, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Intelligent Building Solutions, Inc.	Common	002	1,000	100	Mark Henderson, Incorporated
J.W. Gray Electrical Contractors LP	Common	N/A	N/A	1	J.W. Gray Management LLC
J.W. Gray Electrical Contractors LP	Common	N/A	N/A	99	J.W. Gray Holdings II LLC
J. W. Gray Electric Co., Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
J.W. Gray Holdings II LLC	Common	N/A	N/A	N/A	J.W. Gray Holdings LLC
J.W. Gray Holdings, LLC	Common	N/A	N/A	N/A	J.W. Gray Electric Co., Inc.
J.W. Gray Management LLC	Common	N/A	N/A	N/A	J.W. Gray Electric Co., Inc.
Kayton Electric, Inc.	Common	008	75,000	100	Integrated Electrical Services, Inc.
Key Electrical Supply, Inc.	Common	012	600	100	Integrated Electrical Services, Inc.
Linemen, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Mark Henderson, Incorporated	Common	002	1,000	100	Integrated Electrical Services, Inc.
Menninga Electric, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Mid-States Electric Company, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Mills Electrical Contractors, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.

Pledge Agreement — Schedule I

Pledged Entity	Class of Capital Stock or other Equity Securities	Certificate No.	No. of Shares (Common Stock)	Percentage of Outstanding Shares	Pledgor
Mills Electric LP	Common	N/A	N/A	99	Mills Electric Holdings II LLC
Mills Electric LP	Common	N/A	N/A	1	Mills Management LLC
Mills Electric Holdings II LLC	Common	N/A	N/A	N/A	Mills Electrical Holdings LLC
Mills Electrical Holdings LLC	Common	N/A	N/A	N/A	Mills Electrical Contractors, Inc.
Mills Management LLC	Common	N/A	N/A	N/A	Mills Electrical Contractors, Inc.
Mitchell Electric Company, Inc.	Common Class A	045	9,248.44	100	Integrated Electrical Services, Inc.
M-S Systems, Inc.	Common	005	500	100	Mid-States Electric Company, Inc.
Murray Electrical Contractors, Inc.	Common	003	1,000	100	Integrated Electrical Services, Inc.
NBH Holding Co., Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Neal Electric LP	Common	N/A	N/A	1	BW/BEC, Inc.
Neal Electric LP	Common	N/A	N/A	99	Bexar Electric II LLC
Neal Electric Management LLC	Common	N/A	N/A	N/A	IES Operations Group, Inc.
New Technology Electrical Contractors, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Newcomb Electric Company, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Pan American Electric Company, Inc.	Common	004	400	100	Pan American Electric, Inc.
Pan American Electric, Inc.	Common	015	5,210	100	Integrated Electrical Services, Inc.
Paulin Electric Company, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Pollock Electric, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Pollock Summit Electric LP	Common	N/A	N/A	1	Summit Electric of Texas, Inc.
Pollock Summit Electric LP	Common	N/A	N/A	98	Pollock Summit Holdings II LLC
Pollock Summit Electric LP	Common	N/A	N/A	1	Pollock Electric, Inc.
Pollock Summit Holdings Inc.	Common	003	500	50	Pollock Electric, Inc.
Pollock Summit Holdings Inc.	Common	004	500	50	Summit Electric of Texas, Inc.
Pollock Summit Holdings II LLC	Common	N/A	N/A	N/A	Pollock Summit Holdings, Inc.
PrimeNet, Inc.	Common	003	1,000	100	Integrated Electrical Services, Inc.
Primo Electric Company	Common	002	1,000	100	Integrated Electrical Services, Inc.

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Pledged Entity	Class of Capital Stock or other Equity Securities	Certificate No.	No. of Shares (Common Stock)	Percentage of Outstanding Shares	Pledgor
Raines Electric Co., Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Raines Electric LP	Common	N/A	N/A	1	Raines Management LLC
Raines Electric LP	Common	N/A	N/A	99	Raines Holdings II LLC
Raines Holdings II LLC	Common	N/A	N/A	N/A	Raines Holdings LLC
Raines Holdings LLC	Common	N/A	N/A	N/A	Raines Electric Co., Inc.
Raines Management LLC	Common	N/A	N/A	N/A	Raines Electric Co., Inc.
Riviera Electric, LLC	Common	N/A	N/A	99	IES ENC, Inc.
Riviera Electric, LLC	Common	N/A	N/A	1	IES ENC Management, Inc.
RKT Electric, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Rockwell Electric, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Rodgers Electric Company, Inc.	Common	006	150	100	Integrated Electrical Services, Inc.
Ron's Electric, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
SEI Electrical Contractor, Inc.	Common	002	100	100	Integrated Electrical Services, Inc.
Spectrol, Inc.	Common	003	1,000	100	Mark Henderson, Incorporated
Summit Electric of Texas, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Tesla Power and Automation, LP	Common	N/A	N/A	1	Tesla Power GP, Inc.
Tesla Power Automation, LP	Common	N/A	N/A	99	Tesla Power (Nevada) II LLC
Tesla Power (Nevada) II LLC	Common	N/A	N/A	N/A	Tesla Power (Nevada), Inc.
Tesla Power (Nevada), Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Tesla Power GP, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Tesla Power Properties, LP	Common	N/A	N/A	1	Tesla Power GP, Inc.
Tesla Power Properties, LP	Common	N/A	N/A	99	Tesla Power (Nevada) II LLC
Thomas Popp & Company	Common	004	100	100	Integrated Electrical Services, Inc.
Valentine Electrical, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.
Wright Electrical Contracting, Inc.	Common	002	1,000	100	Integrated Electrical Services, Inc.

Pledge Agreement — Schedule I

PART B
PLEGDED INDEBTEDNESS
None

Pledge Agreement — Schedule I

SCHEDULE II
PLEDGE AMENDMENT

This Pledge Amendment, dated _____ is delivered pursuant to Section 6(d) of the Pledge Agreement referred to below. All defined terms herein shall have the meanings ascribed thereto or incorporated by reference in the Pledge Agreement. The undersigned hereby certifies that the representations and warranties in Section 5 of the Pledge Agreement are and continue to be true and correct, both as to the promissory notes, instruments, shares of capital stock or other equity securities or ownership interests pledged prior to this Pledge Amendment and as to the promissory notes, instruments, shares of capital stock or other equity securities or ownership interests pledged pursuant to this Pledge Amendment. The undersigned further agrees that this Pledge Amendment may be attached to that certain Pledge Agreement, dated May _____, 2006, among the undersigned, as Pledgor, the other Pledgors named therein and Bank of America, N.A., as Agent, (the "Pledge Agreement") and that the Pledged Shares and Pledged Indebtedness listed on this Pledge Amendment shall be and become a part of the Pledged Collateral referred to in said Pledge Agreement and shall secure all Secured Obligations referred to in said Pledge Agreement. The undersigned acknowledges that any promissory notes, instruments or shares of capital stock or other equity securities or ownership interests not included in the Pledged Collateral at the discretion of Agent may not otherwise be pledged by Pledgor to any other Person or otherwise used as security for any obligations other than the Secured Obligations.

By: _____
Name: _____
Title: _____

<u>Pledgor</u>	<u>Pledged Entity</u>	<u>Class of Capital Stock or Other Equity Securities</u>	<u>Certificate Number(s)</u>	<u>Number of Shares or Units</u>	<u>Percentage of Outstanding Shares</u>
_____	_____	_____	_____	_____	_____

<u>Pledgor</u>	<u>Pledged Entity</u>	<u>Initial Principal Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
_____	_____	_____	_____	_____	_____

Pledge Agreement — Schedule II

\$53,000,000

TERM LOAN AGREEMENT

among

INTEGRATED ELECTRICAL SERVICES, INC.,
as Borrower,

The Several Lenders from Time to Time Party Hereto,

and

WILMINGTON TRUST COMPANY,
as Administrative Agent

Dated as of May 12, 2006

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C	Form of Closing Certificate
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E	Form of Assignment and Assumption
F	Form of Legal Opinion of Vinson & Elkins LLP
G	Form of Intercreditor Agreement

TERM LOAN AGREEMENT (this "Agreement"), dated as of May 12, 2006, among INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation (the "Borrower"), the several banks and other financial institutions from time to time party to this Agreement (collectively, the "Lenders") and WILMINGTON TRUST COMPANY, a Delaware banking corporation, as administrative agent.

WITNESSETH:

WHEREAS, on February 14, 2006 (the "Petition Date"), the Borrower and certain of its direct and indirect domestic subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (as amended, the "Bankruptcy Code") with the United States Bankruptcy Court for the Northern District of Texas (the "Bankruptcy Court") and continued in possession of their property and in the management of their businesses pursuant to Bankruptcy Code Sections 1107 and 1108;

WHEREAS, (i) on April 28, 2006, the Bankruptcy Court entered an order (the "Confirmation Order") confirming the Debtors' Second Amended Joint Plan of Reorganization of Integrated Electrical Services, Inc., dated as of March 17, 2006 (as in effect on the date of confirmation thereof pursuant to the Confirmation Order, the "Plan of Reorganization"); and

WHEREAS, in connection with confirmation and implementation of the Plan of Reorganization, the Debtors have requested the Lenders to make loans and other extensions of credit available to the Debtors to enable the Debtors to finance certain aspects of the Plan of Reorganization, including repayment in full of the holders of the Senior Convertible Notes (as defined below) and pay related fees and expenses under this Facility, and the Lenders have agreed, subject to the terms and conditions hereof, to enter into this Agreement.

Accordingly, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"ABL Facility": the revolving credit facility provided to the Borrower and certain of its Subsidiaries pursuant to the ABL Facility Agreement and any refinancings, renewals or extensions thereof in accordance with Section 6.2.

"ABL Facility Agent": Bank of America, N.A., in its capacity as agent under the ABL Facility Agreement, and any successor agent thereto.

"ABL Facility Agreement": the Loan and Security Agreement, dated as of the date hereof, among the Borrower, the Subsidiaries of the Borrower party thereto, the financial institutions named therein and the ABL Facility Agent, as in effect on the date hereof and as hereafter amended, supplemented or otherwise modified from time to time in accordance with Section 6.8 or refinanced, renewed or extended in accordance with Section 6.2.

"ABL Facility Amount": \$10,000,000; provided that the ABL Facility Amount shall be \$15,000,000 for the initial 45 days after the Closing Date.

“Adjusted Applicable Interest Rate”: the Applicable Interest Rate as it may be adjusted from time to time in accordance with Section 2.8.

“Adjusted Net Earnings from Operations”: with respect to any period of the Loan Parties, the Loan Parties’ net income on a consolidated basis after provision for income taxes for such period, as determined in accordance with GAAP and reported on the financial statements for such period, excluding any and all of the following to the extent included in such net income: (a) gain or loss arising from the sale of any capital assets; (b) gain arising from any write-up in the book value of any asset; (c) earnings of any Person, substantially all the assets of which have been acquired by any Loan Party in any manner, to the extent realized by such other Person prior to the date of acquisition; (d) earnings of any Person (other than a Loan Party) in which any Loan Party has an ownership interest unless (and only to the extent) such earnings shall actually have been received by such Loan Party in the form of cash distributions; (e) earnings of any Person to which assets of any Loan Party shall have been sold, transferred or disposed of, or into which the Loan Party shall have been merged, or which has been a party with any Loan Party to any consolidation or other form of reorganization, prior to the date of such transaction; (f) gain arising from the acquisition of debt or equity securities of the Loan Parties or from cancellation or forgiveness of Indebtedness; and (g) gain arising from extraordinary items, as determined in accordance with GAAP, or from any other non-recurring transaction.

“Administrative Agent”: Wilmington Trust Company, as the administrative agent for the Lenders under this Agreement and the other Loan Documents, together with any of its successors and assigns.

“Affiliate”: as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

“Aggregate Principal Amount Outstanding”: at any time, the amount equal to the sum of (a) the principal amount of the Loans outstanding at such time and (b) the amount of interest, if any, at such time that has accrued and been paid by capitalizing such interest as additional Loans under the Facility.

“Agreement”: as defined in the preamble hereto.

“Applicable Interest Rate”: 10.75% per annum.

“Approved Fund”: as defined in Section 9.6(b).

“Asset Sale”: any Disposition of property or series of related Dispositions of property (excluding any such Disposition permitted by clause (a), (b), (c) or (d) of Section 6.5) that yields gross proceeds to any Group Member (valued at the initial principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities and valued at fair market value in the case of other non-cash proceeds) in excess of \$100,000.

“Assignee”: as defined in Section 9.6(b).

“Assignment and Assumption”: an Assignment and Assumption, substantially in the form of Exhibit E.

“Bankruptcy Code”: as defined in the recitals hereto.

“Bankruptcy Court”: as defined in the recitals hereto.

“Benefitted Lender”: as defined in Section 9.7(a).

“Board”: the Board of Governors of the Federal Reserve System of the United States (or any successor).

“BofA Loan Termination Date”: as defined in the Intercreditor Agreement and after taking into account Section 5.3(b) thereof.

“Bonded Accounts”: as to any Loan Party, all now owned or hereafter acquired accounts (as defined in the Uniform Commercial Code) and (whether included in such definition) accounts receivable, and proceeds (other than such proceeds which are negotiable instruments or cash or Cash Equivalents in the possession or control of the ABL Facility Agent or the Administrative Agent, as applicable), including, without limitation, all insurance proceeds and letter of credit proceeds, in each case solely to the extent such accounts, accounts receivable and proceeds arise out of a Bonded Contract including, but not limited to, Bonded Retainage, and all forms of obligations whatsoever owing to any Loan Party under instruments and documents of title constituting the foregoing or proceeds thereof; and all rights, securities and guarantees with respect to each of the foregoing.

“Bonded Contract”: the contracts listed on Schedule 1-1B attached hereto and any future contract in respect of which any Surety Bond shall have been issued on behalf of any Loan Party.

“Bonded Equipment”: all now owned or hereafter acquired right, title and interest with respect to equipment (as defined in the Uniform Commercial Code) owned by a Loan Party and (whether or not included in such definition) all other personal property, in each case which is delivered to, prefabricated for or specifically ordered for a Bonded Job Site, whether or not the same will be deemed to be affixed to, arise out of or relate to any real property, together with all accessions thereto.

“Bonded Inventory”: all now owned or hereafter acquired inventory of the Loan Parties including, without limitation, goods, merchandise and other personal property, in each case which is furnished under any Bonded Contract, all raw materials, work in process, finished goods and materials and supplies of any kind, nature or description in each case which is delivered to, prefabricated for or specifically ordered for a Bonded Job Site.

“Bonded Job Site”: the site specified in a Bonded Contract where any Loan Party is to perform the specialized electrical and communication services required thereunder, including all other labor, materials, equipment and services provided or to be provided to fulfill its obligations thereunder.

“Bonded Retainage”: contract proceeds periodically withheld by an account debtor to provide further security for the performance by any Loan Party of a Bonded Contract, and as such are payable to it only upon a clear demonstration of compliance with the terms of a Bonded Contract.

“Borrower”: as defined in the preamble hereto.

“Business Day”: a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

“Capital Expenditures”: for any period, with respect to any Person, the aggregate of all expenditures by such Person and its Subsidiaries for the purchase, leasing (pursuant to a capital lease) or other acquisition of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) that should be capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries.

“Capital Lease Obligations”: as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

“Capital Stock”: any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

“Cases”: the voluntary cases under Chapter 11 of the Bankruptcy Code commenced by the Debtors in the Bankruptcy Court.

“Cash Collateral”: cash or Cash Equivalents, and any interest earned thereon, that are deposited with the ABL Facility Agent in the Cash Collateral Account.

“Cash Collateral Account”: as defined in the ABL Facility Agreement in effect as of the Closing Date.

“Cash Equivalents”: (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of twelve months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States or any state thereof or the District of Columbia having combined capital and surplus of not less than \$500,000,000 and not subject to offset rights in favor of such bank arising from any banking relationship with such bank; (c) commercial paper of an issuer rated at least A-1 by Standard & Poor’s Ratings Services (“S&P”) or P-1 by Moody’s Investors Service, Inc. (“Moody’s”), or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within nine months from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody’s and having maturities of not more than twelve months; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; (g) money market mutual or similar funds that invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition; or (h) money market funds that (i) comply with the criteria set forth in SEC Rule 2a-7

under the Investment Company Act of 1940, as amended, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least \$5,000,000,000.

"Chubb": Federal Insurance Company, an Indiana corporation, or any of its affiliates or Subsidiaries.

"Closing Date": the date on which the conditions precedent set forth in Section 4.1 shall have been satisfied, which date is May 12, 2006.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"Commercial EBIT": solely with respect to the Commercial Subsidiaries, for any period, on a consolidated basis, Adjusted Net Earnings from Operations plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for such period (but without duplication), the sum of interest expense, federal, state, local and foreign income tax expense and other identified non-cash items not otherwise included which are acceptable to (x) the ABL Facility Agent at any time prior to the BofA Loan Termination Date and (y) at any time thereafter, the Initial Lenders.

"Commercial Subsidiaries": the Subsidiaries of the Borrower listed on Schedule 1.1D.

"Commonly Controlled Entity": an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414 of the Code.

"Compliance Certificate": a certificate duly executed by a Responsible Officer substantially in the form of Exhibit B.

"Conduit Lender": any special purpose corporation organized and administered by any Lender for the purpose of making Loans otherwise required to be made by such Lender and designated by such Lender in a written instrument; provided, that the designation by any Lender of a Conduit Lender shall not relieve the designating Lender of any of its obligations to fund a Loan under this Agreement if, for any reason, its Conduit Lender fails to fund any such Loan, and the designating Lender (and not the Conduit Lender) shall have the sole right and responsibility to deliver all consents and waivers required or requested under this Agreement with respect to its Conduit Lender, and provided, further, that no Conduit Lender shall (a) be entitled to receive any greater amount pursuant to Sections 2.11, 2.12 or 9.5 than the designating Lender would have been entitled to receive in respect of the Loans made by such Conduit Lender or (b) be deemed to have any Term Commitment.

"Confirmation Order": as defined in the recitals hereto.

"Consolidated EBITDA": for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, amortization or writeoff of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Aggregate Principal Amount Outstanding), (c) depreciation and amortization expense and (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (e) any non-cash compensation costs, (f) other identified non-cash items not otherwise included which are acceptable to the Initial Lenders and (g) professional fees and expenses incurred by

the Debtors during, and directly related to, the Cases and fees and expenses of Glass & Associates up to \$1,000,000, and minus, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (i) interest income, (ii) income tax credits (to the extent not netted from income tax expense) and (iii) any other non-cash income.

Consolidated Fixed Charge Coverage Ratio: for any period, the ratio of (a) the difference between (x) (i) for fiscal periods occurring prior to the date of this Agreement, EBITDAR for such period and (ii) for all fiscal periods thereafter, EBITDA and (y) Shutdown EBIT to (b) the sum (without duplication) of (i) cash interest expense for such period, (ii) Capital Expenditures (excluding Capital Expenditures funded with Indebtedness other than any revolving loans under the ABL Facility Agreement but including, without duplication, principal payments with respect to such Indebtedness) for such period, (iii) principal payments of Indebtedness (other than revolving loans under the ABL Facility Agreement and mandatory prepayments from Asset Sales) for such period and (iv) federal, state, local and foreign income taxes (including accrued taxes) for such period.

Consolidated Leverage Ratio: as at the last day of any period, the ratio of (a) the sum of (i) Indebtedness outstanding under the ABL Facility Agreement on such day plus (ii) LC Outstandings (as defined in the ABL Facility Agreement) on such day plus (iii) the Indebtedness outstanding under this Agreement on such day minus (v) Eligible Cash Collateral on such day to (b) (i) for fiscal periods occurring prior to the date of this Agreement, EBITDAR for such period and (ii) for all fiscal periods occurring thereafter, EBITDA for such period.

Consolidated Net Income: for any period, the consolidated net income (or loss) of the Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary of the Borrower) in which the Borrower or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Borrower or such Subsidiary in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary of the Borrower to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary.

Continuing Directors: the directors of the Borrower on the Closing Date, after giving effect to the Plan of Reorganization and the other transactions contemplated hereby, and each other director, if, in each case, such other director's nomination for election to the board of directors of the Borrower is recommended by at least 50% of the then Continuing Directors.

Contractual Obligation: as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

Debtors: as defined in the recitals hereto.

Default: any of the events specified in Section 7, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

DIP Credit Facility: the debtor-in-possession financing facility provided pursuant to the Debtor-in-Possession Loan and Security Agreement, dated as of February 14, 2006, among the Borrower, Bank of America, N.A., as agent, and the lenders from time to time party thereto, as amended,

supplemented or otherwise modified, together with all instruments and other agreements entered into by the Borrower, any Debtor or any other Group Member in connection therewith.

“Disclosure Statement”: the Second Amended Disclosure Statement for the First Amended Joint Plan of Reorganization of Integrated Electrical Services, Inc. and Certain of Its Direct and Indirect Subsidiaries Under Chapter 11 of the Bankruptcy Code, dated as of March 17, 2006, approved by the Bankruptcy Court on March 10, 2006, describing the Plan of Reorganization and distributed to certain holders of claims in connection with voting on the Plan of Reorganization.

“Disposition”: with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof. The terms “Dispose” and “Disposed of” shall have correlative meanings.

“Dollars” and “\$”: dollars in lawful currency of the United States.

“Domestic Subsidiary”: any Subsidiary of the Borrower organized under the laws of any jurisdiction within the United States.

“EBITDA”: for any period, on a consolidated basis for the Loan Parties, Adjusted Net Earnings from Operations for such period plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for that period (but without duplication), the sum of interest expense, federal, state, local and foreign income tax expense, depreciation, amortization, non-cash compensation expenses, other identified non-cash items not otherwise included which are acceptable to (x) the ABL Facility Agent at any time prior to the BofA Loan Termination Date and (y) at any time thereafter, the Initial Lenders, any paid restructuring expenses (including professional fees) incurred in connection with the Case), any unpaid restructuring expenses (including professional fees) incurred in connection with the Cases to the extent the amount of such unpaid expenses are not included in excess of the sum of (a) the Restructuring Expenses Reserve and (b) the Cash Collateral deposited in a Cash Collateral Account in excess of the amount required pursuant to Section 6.1(g), restructuring expenses up to \$8,600,000 related to impairments to Net Working Capital in connection with the Shutdown Subsidiaries, and expenses related to fees of Glass & Associates in an amount up to \$200,000 in any calendar month incurred in the first three calendar months after the Closing Date.

“EBITDA-CapEx Level”: the difference between Consolidated EBITDA for a given period and the Capital Expenditures of the Loan Parties for such period.

“EBITDAR”: for any period, on a consolidated basis for the Loan Parties, Adjusted Net Earnings from Operations for such period plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for that period (but without duplication), the sum of interest expense, federal, state, local and foreign income tax expense, depreciation, amortization, non-cash compensation expenses, and other identified non-cash items not otherwise included which are acceptable to (x) the ABL Facility Agent at any time prior to the BofA Loan Termination Date and (y) at any time thereafter, the Initial Lenders, and restructuring expenses (including professional fees and up to \$8,600,000 related to impairments to Net Working Capital related to the Shutdown Subsidiaries).

“Eligible Cash Collateral”: cash representing proceeds of Collateral or proceeds from such other source of funding which is satisfactory to the Initial Lenders and the ABL Facility Agent, each in the exercise of their reasonable discretion, that is deposited into a demand deposit, money market or other account in ABL Facility Agent’s name and subject to the ABL Facility Agent’s Liens; provided that the term “Eligible Cash Collateral” shall not include (i) any cash (a) to the extent that the ABL Facility Agent does not have therein a valid, enforceable first priority Lien, (b) to the extent that any defense,

counterclaim, setoff or dispute exists or is asserted with respect thereto or (c) that it is subject to any Lien of any Person, other than Liens in favor of the ABL Facility Agent and the Administrative Agent or that is not owned by a Loan Party or (ii) any Cash Collateral that is securing letters of credit issued and outstanding under the ABL Facility Agreement.

“Eligible Interest Capitalization Period”: (a) initially, the period beginning on the Closing Date and ending on December 31, 2006; and (b) thereafter, each period beginning on the day after the end of the immediately preceding Eligible Interest Capitalization Period and ending on the Interest Payment Date nearest to the date that is the earlier of (x) six months after the end of the immediately preceding Eligible Interest Capitalization Period and (y) the third anniversary of the Closing Date.

“Environmental Laws”: any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as have been, are now or may at any time hereafter be in effect.

“Environmental Permits”: any and all permits, licenses, approvals, registrations, notifications, exemptions and any other authorization pursuant to or required under any Environmental Law.

“ERISA”: the Employee Retirement Income Security Act of 1974, as amended from time to time.

“Eton Park”: collectively, Eton Park Fund, L.P. and Eton Park Master Fund, Ltd.

“Event of Default”: any of the events specified in Section 7, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Excluded Foreign Subsidiary”: any Foreign Subsidiary in respect of which either (a) the pledge of all of the Capital Stock of such Subsidiary as Collateral or (b) the guaranteeing by such Subsidiary of the Obligations, would, in the good faith judgment of the Borrower, result in adverse tax consequences to the Borrower.

“Facility”: the Term Commitments and the Loans made thereunder.

“Flagg Street”: collectively, Flagg Street Partners LP, Flagg Street Partners Qualified LP and Flagg Street Offshore, L.P.

“Foreign Subsidiary”: any Subsidiary of the Borrower that is not a Domestic Subsidiary.

“Funding Office”: the office of the Administrative Agent specified in Section 9.2 or such other office as may be specified from time to time by the Administrative Agent as its funding office by written notice to the Borrower and the Lenders.

“GAAP”: generally accepted accounting principles in the United States as in effect from time to time, except that for purposes of Section 6.1, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the most recent audited financial statements referred to in Section 3.1(b). In the event that any “Accounting Change” (as defined below) shall occur and such change results in a change in the method of calculation of financial

covenants, standards or terms in this Agreement, then the Borrower and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to reflect equitably such Accounting Changes with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC.

"Goochland Project": that certain construction project that is the subject of an Agreement, dated December 12, 2003, by and between the County of Goochland, Virginia, as the owner, and Bryant Electric Company, Inc., as the contractor.

"Governmental Authority": any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government.

"Group Members": the collective reference to the Borrower and its Subsidiaries.

"Guarantee and Collateral Agreement": the Guarantee and Collateral Agreement to be executed and delivered by the Borrower and each Subsidiary Guarantor, substantially in the form of Exhibit A-1.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation, including a reimbursement, counterindemnity or similar obligation, of the guaranteeing Person that guarantees or in effect guarantees, or which is given to induce the creation of a separate obligation by another Person (including any bank under any letter of credit) that guarantees or in effect guarantees, any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Indebtedness": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of

property or services (other than current trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under or in respect of acceptances, letters of credit, surety bonds or similar arrangements, (g) the liquidation value of all mandatorily redeemable preferred Capital Stock of such Person, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, and (j) for the purposes of Section 7(e) only, all obligations of such Person in respect of Swap Agreements. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor.

"Initial Lenders": Eton Park and Flagg Street.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Intercreditor Agreement": an Intercreditor Agreement to be executed and delivered by the Borrower, each Subsidiary Guarantor, the ABL Facility Agent, the initial lenders under the ABL Facility Agreement, the Administrative Agent and the Initial Lenders on the Closing Date, substantially in the form of Exhibit G.

"Interest Payment Date": as to any Loan, the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan.

"Investments": as defined in Section 6.7.

"Lenders": as defined in the preamble hereto; provided, that unless the context otherwise requires, each reference herein to the Lenders shall be deemed to include any Conduit Lender.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, restriction, covenant, easement, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

“Loan”: as defined in Section 2.1.

“Loan Documents”: this Agreement, the Security Documents and any amendment, waiver, supplement or other modification to any of the foregoing.

“Loan Parties”: each Group Member that is a party to a Loan Document.

“Material Adverse Effect”: a material adverse effect on (a) the business, property, operations, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as a whole or (b) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder.

“Materials of Environmental Concern”: any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products, asbestos, polychlorinated biphenyls, urea-formaldehyde insulation, radioactivity, molds and any other substances, materials or wastes that are regulated pursuant to or could give rise to liability under any Environmental Law.

“Maturity Date”: May 12, 2013.

“Modified Net Working Capital”: at any date of determination, without duplication, (i) the sum for any Person and its consolidated Subsidiaries, of (A) the unpaid face amount (including retentions) of all accounts receivable of such Person and its consolidated Subsidiaries as at such date of determination, plus (B) the amount of all inventory of such Person and its consolidated Subsidiaries as at such date of determination, plus (C) the aggregate amount of all contract underbillings of such Person and its consolidated Subsidiaries as at such date of determination minus (ii) the sum, for such Person and its consolidated Subsidiaries, of (A) the aggregate amount of all contract overbillings of such Person and its consolidated Subsidiaries as at such date of determination, plus (B) the aggregate amount of outstanding and unpaid claims up to \$3,000,000 of such Person and its consolidated Subsidiaries related to the Goochland Project, in each case determined on a consolidated basis in accordance with GAAP.

“Mortgaged Property”: the real property listed on Schedule 1.1C, as to which the Administrative Agent for the benefit of the Lenders shall be granted a Lien pursuant to the Mortgages.

“Mortgage”: Each mortgage and/or deed of trust made by any Loan Party in favor of, or for the benefit of, the Administrative Agent for the benefit of the Lenders, substantially in the form of Exhibit D (with such changes thereto as shall be advisable under the law of the jurisdiction in which such mortgage or deed of trust is to be recorded).

“Multiemployer Plan”: a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Negative EBITDA-CapEx Level”: as defined in Section 2.8(c).

“Net Cash Proceeds”: (a) in connection with any Asset Sale or any Recovery Event, the proceeds thereof in the form of cash and Cash Equivalents (including any such cash or Cash Equivalents paid or delivered pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received), net of attorneys’ fees, accountants’ fees, investment banking or consultant fees, amounts actually applied to the repayment of any Indebtedness secured by a Lien expressly permitted hereunder (other than the Liens under the Security Documents and the Liens securing the obligations under the ABL Facility Agreement) on any asset that is the subject of such Asset Sale or Recovery Event (other than any Lien pursuant to a Security Document) and other customary fees and

expenses actually incurred in connection therewith and net of taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and (b) in connection with any issuance or sale of Capital Stock, the cash proceeds received from such issuance or incurrence, net of attorneys' fees, investment banking or consultant fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

"Net Working Capital": at any date of determination, without duplication, (i) the sum, for any Person and its consolidated Subsidiaries, of (A) cash or Cash Equivalents of such Person and its consolidated Subsidiaries as at such date of determination, plus (B) the unpaid face amount of all accounts receivable of such Person and its consolidated Subsidiaries as at such date of determination, plus (C) the amount of all inventory of such Person and its consolidated Subsidiaries as at such date of determination, plus (D) the aggregate amount of all contract underbillings of such Person and its consolidated Subsidiaries as at such date of determination, plus (E) the aggregate amount of prepaid expenses of such Person and its consolidated Subsidiaries as at such date of determination plus (F) the aggregate amount of all prepaid items to Chubb of such Person and its consolidated Subsidiaries as at such date of determination, minus (ii) the sum, for such Person and its consolidated Subsidiaries, of (A) the aggregate amount of Indebtedness outstanding under the ABL Facility Agreement as at such date of determination, plus (B) the unpaid amount of all accounts payable of such Person and its consolidated Subsidiaries as at such date of determination, plus (C) the aggregate amount of all accrued expenses of such Person and its consolidated Subsidiaries as at such date of determination, plus (D) the aggregate amount of all contract overbillings of such Person and its consolidated Subsidiaries as at such date of determination (but, excluding from accounts payable and accrued expenses, the current portion of long-term Indebtedness and all accrued interest and federal, state, local and foreign income taxes) plus (E) the aggregate amount of accrued contract losses of such Person and its consolidated Subsidiaries as at such date of determination plus (F) the aggregate amount of all restructuring expenses (including professional fees) incurred in connection with the Cases and unpaid by such Person and its consolidated Subsidiaries as at such date of determination, in each case determined on a consolidated basis in accordance with GAAP.

"Non-Excluded Taxes": as defined in Section 2.12(a).

"Non-U.S. Lender": as defined in Section 2.12(d).

"Notes": the collective reference to any promissory note evidencing Loans.

"Obligations": the unpaid principal of and interest on (including interest accruing after the maturity of the Aggregate Principal Amount Outstanding and interest accruing after the filing of any petition in bankruptcy, or the commencement of any bankruptcy, insolvency, reorganization or like proceeding, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent or to any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"Other Taxes": any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the

execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Participant”: as defined in Section 9.6(c).

“Patriot Act”: the USA Patriot Act, Title III of Pub. L. 107-56, signed into law on October 26, 2001, as amended.

“PBGC”: the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

“Person”: an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“Petition Date”: as defined in the recitals hereto.

“Plan”: at a particular time, any employee benefit plan that is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Plan Effective Date”: the date on which the Plan of Reorganization became effective as provided therein.

“Plan of Reorganization”: as defined in the recitals hereto.

“Principal Stockholders”: Fidelity Management & Research Co., Southpoint Capital Advisors LP, Tontine Capital Partners L.P. and their respective Affiliates.

“Pro Forma Balance Sheet”: as defined in Section 3.1(a).

“Pro Forma Statement of Operations”: as defined in Section 3.1(a).

“Projections”: as defined in Section 5.2(b).

“Recovery Event”: any settlement of or payment in respect of any property or casualty insurance claim arising from a single event or a series of related events or any condemnation proceeding, in each case, relating to any asset of any Group Member that yields gross proceeds to any Group Member in excess of \$250,000.

“Register”: as defined in Section 9.6(b).

“Regulation U”: Regulation U of the Board as in effect from time to time.

“Reinvestment Deferred Amount”: with respect to any Reinvestment Event, the aggregate Net Cash Proceeds received by any Group Member in connection therewith that are not applied to prepay the Aggregate Principal Amount Outstanding pursuant to Section 2.6(a) as a result of the delivery of a Reinvestment Notice.

“Reinvestment Event”: any Recovery Event in respect of which the Borrower has delivered a Reinvestment Notice.

“Reinvestment Notice”: a written notice executed by a Responsible Officer stating that no Event of Default has occurred and is continuing and that the Borrower (directly or indirectly through a Subsidiary) intends and expects to use all or a specified portion of the Net Cash Proceeds of a Recovery Event to acquire or repair tangible capital assets useful in its business.

“Reinvestment Prepayment Amount”: with respect to any Reinvestment Event, the Reinvestment Deferred Amount relating thereto less any amount expended prior to the relevant Reinvestment Prepayment Date to acquire or repair tangible capital assets useful in the Borrower’s business.

“Reinvestment Prepayment Date”: with respect to any Reinvestment Event, the earlier of (a) the date occurring six months after such Reinvestment Event and (b) the date on which the Borrower shall have determined not to, or shall have otherwise ceased to, acquire or repair tangible capital assets useful in the Borrower’s business with all or any portion of the relevant Reinvestment Deferred Amount.

“Related Parties”: as defined in Section 8.3.

“Reorganization”: with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

“Repayment Option”: the Lenders’ option to demand repayment in full in cash of the Aggregate Principal Amount Outstanding as described in Section 2.3.

“Reportable Event”: any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. § 4043.

“Required Lenders”: at any time, the holders of more than 50% of (a) until the Closing Date, the Term Commitments then in effect and (b) thereafter, the Aggregate Principal Amount Outstanding.

“Requirement of Law”: as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Residential EBIT”: solely with respect to the Residential Subsidiaries, for any period, on a consolidated basis, Adjusted Net Earnings from Operations for such period plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for that period (but without duplication), the sum of federal, state, local and foreign income tax expense, interest expense and other identified non-cash items not otherwise included which are acceptable to (x) the ABL Facility Agent at any time prior to the BofA Loan Termination Date and (y) at any time thereafter, the Initial Lenders.

“Residential Subsidiaries”: the Subsidiaries of the Borrower listed on Schedule 1.1E.

“Responsible Officer”: the chief executive officer, president, general counsel or chief financial officer of the Borrower, but in any event, with respect to financial matters, the chief financial officer or treasurer of the Borrower.

“Restricted Payments”: as defined in Section 6.6.

“Restructuring Expenses Reserve”: on any date of determination thereof, an amount equal to difference between (i) the sum of all restructuring expenses (including professional fees) incurred in connection with the Cases and unpaid by the Loan Parties as of such date and (ii) the aggregate amount of Cash Collateral on deposit in all Cash Collateral Accounts in excess of \$20,000,000 on such date. If at any date of determination the aggregate amount of Cash Collateral on deposit in all Cash Collateral Accounts in excess of \$20,000,000 on such date is greater than the sum of all restructuring expenses (including professional) incurred in connection with the Cases and unpaid by the Loan Parties as of such date, then the Restructuring Expense Reserve shall be \$0.

“SEC”: the Securities and Exchange Commission, any successor thereto and any analogous Governmental Authority.

“Second Lien Net Cash Proceeds”: in connection with an Asset Sale or a Recovery Event, Net Cash Proceeds net of amounts actually (i) deposited in the Cash Collateral Account in an amount not to exceed the book value of any Eligible Accounts and any Eligible Inventory (as each such term is defined in the ABL Facility Agreement) subject of such Asset Sale or Recovery Event and (ii) applied to repay the revolving loans outstanding under the ABL Facility Agreement.

“Security Documents”: the collective reference to the Guarantee and Collateral Agreement, the Mortgages and all other security documents hereafter delivered to the Administrative Agent granting a Lien on any property of any Person to secure the obligations and liabilities of any Loan Party under any Loan Document.

“Senior Convertible Notes”: the Series A 6.5% Senior Convertible Notes due 2014 and Series B 6.5% Senior Convertible Notes due 2014 issued by the Borrower, together with the subsidiary guarantees thereof.

“Shutdown EBIT”: solely with respect to the Shutdown Subsidiaries, for any period, on a consolidated basis, Adjusted Net Earnings from Operations for such period plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for that period (but without duplication), the sum of interest expense, federal, state, local and foreign income tax expense and other identified non-cash items not otherwise included which are acceptable to (x) the ABL Facility Agent at any time prior to the BofA Loan Termination Date and (y) at any time thereafter, the Initial Lenders.

“Shutdown Subsidiaries”: the Subsidiaries of the Borrower listed on Schedule 1.1F.

“Single Employer Plan”: any Plan that is covered by Title IV of ERISA, but that is not a Multiemployer Plan.

“Solvent”: when used with respect to any Person, means that, as of any date of determination, (a) the amount of the “present fair saleable value” of the assets of such Person will, as of such date, exceed the amount of all “liabilities of such Person, contingent or otherwise”, as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) “debt” means liability on a “claim”, and (ii) “claim” means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives

rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

“Specified Change of Control”: a “Change of Control” (or any other defined term having a similar purpose) as defined in any ABL Facility.

“Subsidiary”: as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Subsidiary Guarantor”: each Subsidiary of the Borrower other than any Excluded Foreign Subsidiary.

“Surety Bond”: any surety bond, insurance policy, indemnity agreement, guaranty, letter of credit or other instrument provided by a third party (that is, excluding an Affiliate of the obligor) to an obligee to assure the payment by and/or performance of an obligor.

“Surety Collateral”: (a) all of the right, title and interest of the Loan Parties in and to all existing and future Bonded Contracts and associated contract rights, (b) Bonded Accounts, (c) all claims, rights and choses in action against any account debtor on any Surety Bond or against any other Person with respect to any Surety Bond or Bonded Contract, (d) to the extent assignable (other than to the extent that any such prohibition and assignment term would be rendered ineffective pursuant to applicable law) all rights and actions that any Loan Party may have or acquire in any subcontract, purchase order or other agreement in connection with any Bonded Contract and against any subcontract, purchase order or other agreement with any Person furnishing or agreeing to furnish or supply vehicles, labor, supplies, machinery or other inventory or equipment in connection with or on account of any Bonded Contract, and against any surety or sureties of any such subcontractor, laborer or other Person, (e) Bonded Equipment, (f) Bonded Inventory, (g) any and all books, accounts, computer software and other computer stored information, and any and all drawings, plans, specifications, shop and as-built drawings, in each case, used in or necessary to fully perform all obligations and services required of any Loan Party under the Bonded Contracts, (h) all progress schedules, work in process schedules (including, but not limited to, estimates of completion costs), accounts receivable ledgers, accounts payable ledgers and estimates of completion costs relating to any and all Bonded Contracts, and (i) any and all proceeds (other than such proceeds which are negotiable instruments or cash or Cash Equivalents in the possession or control of the ABL Facility Agent or the Administrative Agent, as applicable) remaining due to the Group Members and products arising with respect thereto.

“Swap Agreement”: any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrower or any of its Subsidiaries shall be a “Swap Agreement”.

“Term Commitment”: as to any Lender, the obligation of such Lender to make a Loan to the Borrower in a principal amount not to exceed the amount set forth under the heading “Term Commitment” opposite such Lender’s name on Schedule 1.1A. The original aggregate amount of the Term Commitments is \$53,000,000.

“Term Percentage”: as to any Lender at any time, the percentage which such Lender’s Term Commitment then constitutes of the Term Commitments (or, at any time after the Closing Date, the percentage which such Lender’s Aggregate Principal Amount Outstanding constitutes of the total Aggregate Principal Amount Outstanding of all of the Lenders).

“Transactions”: the consummation of the Plan of Reorganization, including the entering into and funding of the ABL Facility and the Loans hereunder and all related transactions contemplated thereby and hereby.

“Transferee”: any Assignee or Participant.

“United States”: the United States of America.

“Wholly Owned Subsidiary”: as to any Person, any other Person all of the Capital Stock of which (other than directors’ qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

“Wholly Owned Subsidiary Guarantor”: any Subsidiary Guarantor that is a Wholly Owned Subsidiary of the Borrower.

1.2 Other Definitional Provisions.

(a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, (i) accounting terms relating to any Group Member not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP, (ii) the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”, (iii) the word “incur” shall be construed to mean incur, create, issue, assume, become liable in respect of or suffer to exist (and the words “incurred” and “incurrence” shall have correlative meanings), (iv) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, Capital Stock, securities, revenues, accounts, leasehold interests and contract rights, and (v) references to agreements or other Contractual Obligations shall, unless otherwise specified, be deemed to refer to such agreements or Contractual Obligations as amended, supplemented, restated or otherwise modified from time to time.

(c) The words “hereof”, “herein” and “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF TERM COMMITMENTS

2.1 Term Commitments. Subject to the terms and conditions hereof, each Lender severally agrees to make a term loan (each, a “Loan” and collectively, the “Loans”) to the Borrower on the Closing Date in an amount not to exceed the amount of the Term Commitment of such Lender.

2.2 Procedure for Loan Borrowing. The Borrower shall give the Administrative Agent and the Initial Lenders irrevocable notice (which notice must be received by the Administrative Agent and the Initial Lenders prior to 1:00 P.M., New York City time, one Business Day prior to the anticipated Closing Date) requesting that the Initial Lenders make the Loans on the Closing Date in a single drawing and specifying the amount to be borrowed. Not later than 3:00 P.M., New York City time, on the Closing Date each Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the Loan to be made by such Initial Lender. The Administrative Agent shall disburse by wire transfer of immediately available funds to an account specified by the Borrower the aggregate of the amounts made available to the Administrative Agent by the Initial Lenders in immediately available funds.

2.3 Maturity Date. The Aggregate Principal Amount Outstanding of each Lender shall mature on the Maturity Date; provided that at any time on or after the fourth anniversary of the Closing Date, the Required Lenders may, upon not less than sixty days’ written notice to the Borrower, exercise the Repayment Option.

2.4 Fees, etc. The Borrower agrees to pay the fees in the amounts and on the dates as set forth in any fee agreements between the Borrower and the Administrative Agent and/or among the Borrower and the Initial Lenders, and to perform any other obligations contained therein.

2.5 Optional Prepayments. The Borrower may at any time and from time to time prepay the Aggregate Principal Amount Outstanding, in whole or in part, subject to payment of the amounts required by Section 2.7, upon irrevocable notice delivered to the Administrative Agent no later than 1:00 P.M., New York City time, five Business Days prior thereto. Upon receipt of any such notice the Administrative Agent shall promptly notify each Lender. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with payment of (i) any cash interest (as opposed to paid in kind interest) that has accrued to the date of such prepayment on the Aggregate Principal Amount Outstanding so prepaid and (ii) all amounts required to be paid pursuant to Section 2.7(a). Partial prepayments of Aggregate Principal Amount Outstanding shall be in an aggregate principal amount of \$500,000 or a whole multiple thereof.

2.6 Mandatory Prepayments(a) . (a) (i) If on any date prior to the BofA Loan Termination Date, any Group Member shall receive Second Lien Net Cash Proceeds from any Asset Sale, (x) 33¹/₃% of such Second Lien Net Cash Proceeds from such Asset Sale shall be applied on such date toward the prepayment of the Aggregate Principal Amount Outstanding, (y) 33¹/₃% of such Second Lien Net Cash Proceeds shall be retained by the Borrower for general corporate purposes and (z) 33¹/₃% shall be deposited into the Cash Collateral Account. If on any date after the BofA Loan Termination Date any Group Member shall receive Net Cash Proceeds from any Asset Sale, 100% of such Net Cash Proceeds shall be applied on such date toward the prepayment of the Aggregate Principal Amount Outstanding.

(ii) If on any date prior to the BofA Loan Termination Date any Group Member shall receive Second Lien Net Cash Proceeds from any Recovery Event, 100% of such Second Lien Net Cash Proceeds shall be applied on such date toward the prepayment of the Aggregate Principal Amount Outstanding. If on any date after the BofA Loan Termination Date any Group Member shall receive Net Cash Proceeds from any Recovery Event, 100% of such Net Cash

Proceeds shall be applied on such date toward the prepayment of the Aggregate Principal Amount Outstanding. Notwithstanding the foregoing, (x) the Borrower may, pursuant to one or more Reinvestment Notices, retain up to \$1,000,000 from Recovery Events in any fiscal year of the Borrower and (y) on each Reinvestment Prepayment Date, an amount equal to the Reinvestment Prepayment Amount with respect to the relevant Reinvestment Event shall be applied toward the prepayment of the Aggregate Principal Amount Outstanding as set forth in Section 2.6(b).

(b) If (x) after the Closing Date, Second Lien Net Cash Proceeds shall have been deposited into the Cash Collateral Account and (y) either contemporaneously with or at any time after such deposit, any amount shall be released from the Cash Collateral Account by the ABL Facility Agent to be turned over to the Borrower other than in connection with a refinancing of the ABL Facility (which refinancing requires that a cash collateral account substantially similar to the Cash Collateral Account be established), an amount equal to the lesser of the amount deposited and the amount released shall be applied on the date of release toward the prepayment of the Aggregate Principal Amount Outstanding.

(c) Amounts to be applied in connection with prepayments made pursuant to this Section 2.6 shall be applied to the prepayment of the Aggregate Principal Amount Outstanding in accordance with Section 2.10(b). Each prepayment of the Aggregate Principal Amount Outstanding under this Section 2.6 shall be accompanied by payment at such time of (i) any cash interest (as opposed to paid in kind interest) that has accrued to the date of such prepayment on the amounts so prepaid and (ii) all amounts required to be paid pursuant to Section 2.7(a).

2.7 Additional Terms Relating to Prepayments.

(a) In the event that all or any of Aggregate Principal Amount Outstanding is voluntarily or mandatorily prepaid under Sections 2.5 or 2.6 for any reason at any time following the Closing Date, the Borrower shall at such time pay an additional amount equal to: (i) 5.5% of the amount of Aggregate Principal Amount Outstanding prepaid, if such prepayment occurs on or prior to the first anniversary of the Closing Date; (ii) 4.5% of the amount of Aggregate Principal Amount Outstanding prepaid, if such prepayment occurs after the first anniversary of the Closing Date but on or before the second anniversary of the Closing Date; (iii) 3.5% of the amount of Aggregate Principal Amount Outstanding prepaid, if such prepayment occurs after the second anniversary of the Closing Date but on or before the third anniversary of the Closing Date; (iv) 2.5% of the amount of Aggregate Principal Amount Outstanding prepaid, if such prepayment occurs after the third anniversary of the Closing Date but on or before the fourth anniversary of the Closing Date; (v) 1.5% of the amount of Aggregate Principal Amount Outstanding prepaid, if such prepayment occurs after the fourth anniversary of the Closing Date but on or before the fifth anniversary of the Closing Date; and (vi) 0.5% of the amount of Aggregate Principal Amount Outstanding prepaid, if such prepayment occurs after the fifth anniversary of the Closing Date but on or before the sixth anniversary of the Closing Date; provided that the Borrower shall not be required to pay the amounts set forth in clauses (iv), (v) or (vi) if such prepayment occurs solely as a result of the exercise of the Repayment Option under Section 2.3.

(b) If, after giving effect to any optional or mandatory prepayment under Sections 2.5 or 2.6, the Aggregate Principal Amount Outstanding is less than \$12,000,000, then the Borrower shall immediately prepay in full in cash the Aggregate Principal Amount Outstanding. The Borrower shall, together with such prepayment, also pay (i) any cash interest (as opposed to paid in kind interest) that has accrued to the date of the prepayment on the Aggregate Principal Amount Outstanding so prepaid and (ii) all amounts required to be paid pursuant to Section 2.7(a).

2.8 Interest Rates and Payment Dates.

(a) The Aggregate Principal Amount Outstanding shall bear interest at the Applicable Interest Rate; provided that if either or both paragraphs (b) and (c) of this Section 2.8 shall be applicable, the Aggregate Principal Amount shall bear interest at the Adjusted Applicable Interest Rate as therein provided.

(b) If at any time the amount outstanding under the ABL Facility exceeds the ABL Facility Amount at such time (exclusive of any letters of credit issued under the ABL Facility in connection with or to (i) insurance contracts, (ii) surety bonds, (iii) any of the Loan Parties' self-insurance program or (iv) vendors for purposes of purchases of products and services and customers to secure performance, in each case in the ordinary course of business), then the Adjusted Applicable Interest Rate under the Facility shall be for the next succeeding fiscal quarter of the Borrower an amount equal to the sum of (I) the Applicable Interest Rate or, if Section 2.8(c) is in effect, the Adjusted Applicable Interest Rate determined pursuant to such section, and (II) the product of (x) a whole number equal to the difference between (i) the peak amount outstanding under the ABL Facility in such earlier fiscal quarter of the Borrower and (ii) the ABL Facility Amount (with such difference to be divided by \$1,000,000 and rounded up to the next whole number) and (y) 0.10%.

(c) If, as of the end of any fiscal quarter ending on or prior to December 31, 2006, the EBITDA-CapEx Level for such quarter is less than zero (a "Negative EBITDA-CapEx Level"), then the Adjusted Applicable Interest Rate under the Facility effective as of the first day of the next succeeding fiscal quarter shall be an amount equal to the sum of (I) the Applicable Interest Rate or, if Section 2.8(b) is in effect, the Adjusted Applicable Interest Rate determined pursuant to such section, and (II) the product of (x) the sum of the absolute values of all Negative EBITDA-CapEx Levels since January 1, 2006 through December 31, 2006 (with such amounts to be divided by \$1,000,000 and rounded up to the next whole number) and (y) 0.15%. If the Adjusted Applicable Interest Rate under this paragraph (c) shall become effective, it shall remain in effect until the earlier of (i) the Maturity Date and (ii) the first day of the fiscal quarter immediately following the end of two consecutive fiscal quarters of the Borrower in which the EBITDA-CapEx Level exceeded zero and the cumulative EBITDA-CapEx Level from the Closing Date until the end of the second such fiscal quarter is greater than the absolute value of the cumulative Negative EBITDA-CapEx Levels; provided that, if the EBITDA Cap-Ex Level is greater than zero for more than two consecutive fiscal quarters, but the cumulative EBITDA-CapEx Level from the Closing Date until the end of the second such fiscal quarter is less than zero, the Adjusted Applicable Interest then in effect shall be reduced by the product of (x) the EBITDA-CapEx Levels for such fiscal quarters (with such amounts to be divided by \$1,000,000 and rounded up to the next whole number) and (y) 0.15%; provided that such Adjusted Applicable Interest Rate shall not be less than the Applicable Interest Rate.

(d) (i) If all or a portion of the Aggregate Principal Amount Outstanding shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), the Aggregate Principal Amount Outstanding (whether or not overdue) shall bear interest at a rate per annum equal to the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section 2.8 plus 2% and (ii) if all or a portion of any interest payable on the Aggregate Principal Amount Outstanding, any fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section 2.8 plus 2%, in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(e) Interest shall be payable in arrears on each Interest Payment Date; provided that for the initial Eligible Interest Capitalization Period, interest accruing on the Aggregate Principal Amount Outstanding shall be capitalized and, for each Eligible Interest Capitalization Period thereafter, interest

accruing on the Aggregate Principal Amount Outstanding shall be capitalized at the Borrower's option for subsequent Eligible Interest Capitalization Periods only if the Borrower shall have provided written notice to the Administrative Agent and the Initial Lenders of the exercise of such option not less than 10 Business Days prior to the commencement of each such subsequent Eligible Interest Capitalization Period. Notwithstanding anything to the contrary contained in this paragraph (e):

(i) if as of the end of any fiscal quarter ending on or prior to December 31, 2006, there is a Negative EBITDA-CapEx Level, the option of capitalizing interest shall be terminated immediately until the earlier of (x) the Maturity Date and (y) the first day of the fiscal quarter immediately following the end of two consecutive fiscal quarters of the Borrower in which the EBITDA-CapEx Level exceeded zero and such EBITDA-CapEx Level for such two fiscal consecutive fiscal quarters is greater in the aggregate than the absolute value of the cumulative Negative EBITDA-CapEx Level; provided that notwithstanding that there may be a Negative EBITDA-CapEx Level as of the fiscal quarter ended March 31, 2006, interest accruing on the Aggregate Principal Amount Outstanding shall be capitalized for the initial Eligible Interest Capitalization Period at a rate equal to the Adjusted Applicable Interest Rate plus 0.50%; provided further that, after the initial Eligible Interest Capitalization Period, interest accruing on the Aggregate Principal Amount Outstanding for subsequent Eligible Interest Capitalization Periods shall be at an interest rate equal to (x) the Adjusted Applicable Interest Rate, if such interest is to be paid in cash during such Eligible Interest Capitalization Period, or (y) the Adjusted Applicable Interest Rate plus 0.50%, if such interest is to be capitalized during such Eligible Interest Capitalization Period at the Borrower's option, except that, with respect to clause (y), the Adjusted Applicable Interest Rate shall not be increased by 0.50% for subsequent Eligible Interest Capitalization Periods if the EBITDA-CapEx Level exceeds zero for two consecutive fiscal quarters after the fiscal quarter ended March 30, 2006 and such EBITDA-CapEx Level for such two fiscal consecutive quarters is greater in the aggregate than the absolute value of the cumulative Negative EBITDA-CapEx Level from January 1, 2006 through the fiscal quarter ended March 31, 2006 and any subsequent fiscal quarters of the Borrower in which there were Negative EBITDA-CapEx Levels; and

(ii) if an Event of Default shall have occurred and be continuing, the option to capitalize interest shall be suspended automatically as of the date of such Event of Default for such Eligible Interest Capitalization Period and any subsequent Eligible Interest Capitalization Period during which such Event of Default shall be continuing and interest shall be payable in arrears in immediately available funds beginning on the next Interest Payment Date after the Event of Default, or upon acceleration, and in the case of interest payable pursuant to Section 2.8(d), on demand.

2.9 Computation of Interest and Fees(a) . (a) Interest and fees payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and amount of any change in the Applicable Interest Rate as a result of the adjustments made pursuant to Section 2.8.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the adjustments made to the Applicable Interest Rate under Section 2.8(b) or (c).

2.10 Pro Rata Treatment and Payments(a) . (a) Each borrowing by the Borrower from the Lenders hereunder and each payment by the Borrower on account of any fee payable to the Lenders shall be made pro rata according to the respective Term Percentages of the Lenders.

(b) Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Aggregate Principal Amount Outstanding shall be made pro rata according to the Aggregate Principal Amount Outstanding of the respective Lenders. Amounts so prepaid may not be reborrowed.

(c) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 1:00 P.M., New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders, at the Funding Office, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. In the case of any extension of any payment of principal pursuant to the preceding sentence, interest thereon shall be payable at the then applicable rate during such extension.

2.11 Requirements of Law(a) . (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by Section 2.12 and changes in the rate of tax on the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount that such Lender deems to be material, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this paragraph, it shall promptly notify the Borrower in writing (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into

consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) A certificate as to any additional amounts payable pursuant to this Section 2.11 submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. Notwithstanding anything to the contrary in this Section 2.11, the Borrower shall not be required to compensate a Lender pursuant to this Section 2.11 for any amounts incurred more than nine months prior to the date that such Lender notifies the Borrower of such Lender's intention to claim compensation therefor; provided that, if the circumstances giving rise to such claim have a retroactive effect, then such nine-month period shall be extended to include the period of such retroactive effect. The obligations of the Borrower pursuant to this Section 2.11 shall survive the termination of this Agreement and the payment of the Aggregate Principal Amount Outstanding and all other amounts payable hereunder.

2.12 Taxes.

(a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section or (ii) that are United States withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to this paragraph.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall

indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure.

(d) Each Lender (or Transferee) that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit H and a Form W-8BEN, or any other applicable U.S. Internal Revenue Service Forms (including, without limitation, U.S. Internal Revenue Service Form W-81MY) or, in each case, any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(f) If the Administrative Agent or any Lender determines, in its sole discretion, that it has received a refund of any Non-Excluded Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.12, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.12 with respect to the Non-Excluded Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

(g) The agreements in this Section 2.12 shall survive the termination of this Agreement and the payment of the Aggregate Principal Amount Outstanding and all other amounts payable hereunder.

2.13 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.11 or 2.12(a) with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section 2.13 shall affect or postpone any of the obligations of the Borrower or the rights of any Lender pursuant to Section 2.11 or 2.12(a).

2.14 Replacement of Lenders. The Borrower shall be permitted to replace any Lender that (a) requests reimbursement for amounts owing pursuant to Section 2.11 or 2.12(a) or (b) defaults in its obligation to make Loans hereunder, with a replacement financial institution; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Lender shall have taken no action under Section 2.13 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.11 or 2.12(a), (iv) the replacement financial institution shall purchase, at par, the Aggregate Principal Amount Outstanding owing to such Lender and other amounts owing to such replaced Lender on or prior to the date of replacement, (v) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent (at the direction of the Required Lenders), (vi) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 9.6 (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (vii) until such time as such replacement shall be consummated, the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.11 or 2.12(a), as the case may be, and (viii) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

SECTION 3. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans, the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

3.1 Financial Condition.

(a) The unaudited pro forma consolidated balance sheet of the Borrower and its consolidated Subsidiaries attached to the Disclosure Statement as at the date set forth therein (including the notes thereto) (the "Pro Forma Balance Sheet"), copies of which have heretofore been furnished to the Initial Lenders, has been prepared giving effect (as if such events had occurred on such date) to (i) the consummation of the Transactions, (ii) the Loans to be made and the ABL Facility to be consummated on the Closing Date and the use of proceeds thereof and (iii) the payment of fees and expenses in connection with the foregoing. The Pro Forma Balance Sheet has been prepared based on reasonable estimates and assumptions and the most current information available to the Borrower as of the date of delivery thereof, and presents fairly on a pro forma basis the estimated financial position of Borrower and its consolidated Subsidiaries as at the date set forth therein, assuming that the events specified in the preceding sentence had actually occurred at such date. The pro forma statement of operations attached to the Disclosure Statement for the seven-month period ending on the date set forth therein (including the notes thereto) (the "Pro Forma Statement of Operations"), copies of which have heretofore been furnished to the Initial

Lenders, has been prepared giving effect (as if such events had occurred on the date set forth therein) to (i) the consummation of the Transactions, (ii) the Loans to be made and the ABL Facility to be consummated on the Closing Date and the use of proceeds thereof and (iii) the payment of fees and expenses in connection with the foregoing. The Pro Forma Statement of Operations has been prepared based on reasonable estimates and assumptions and the most current information available to the Borrower as of the date of delivery thereof, and presents fairly on a pro forma basis the estimated results of operations of Borrower and its consolidated Subsidiaries for the period set forth therein, assuming that the events specified in the preceding sentence had actually occurred on the date set forth therein.

(b) The audited consolidated balance sheets of the Borrower and its Subsidiaries as at September 30, 2005, and the related consolidated statements of income and of cash flows for the fiscal years ended on such dates, reported on by and accompanied by an unqualified report from Ernst & Young LLP, present fairly in all material respects the consolidated financial condition of the Borrower and its Subsidiaries as at such date, and the consolidated results of their operations and their consolidated cash flows for the respective fiscal years then ended. The unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2005, and the related unaudited consolidated statements of income and cash flows for the three-month period ended on such date, present fairly in all material respects the consolidated financial condition of the Borrower and its Subsidiaries as at such date, and the consolidated results of their operations and their consolidated cash flows for the three-month period then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein), subject, in the case of unaudited financial statements, to normal year-end audit adjustments and the absence of footnotes. No Group Member has any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives that are not reflected in the most recent financial statements referred to in this paragraph. During the period from January 1, 2006 to and including the date hereof there has been no Disposition by any Group Member of any material part of its business or property.

3.2 No Change. Since January 1, 2006, there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect other than any change of the type that customarily occurs as a result of the commencement of the Cases.

3.3 Existence; Compliance with Law. Each Group Member (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation or other organization and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except where the failure to be so qualified or in good standing would not reasonably be expected to have a Material Adverse Effect, and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

3.4 Power; Authorization; Enforceable Obligations. Each Loan Party has the power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to obtain extensions of credit hereunder. Each Loan Party has taken all necessary organizational action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the extensions of credit on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other

act by or in respect of, any Governmental Authority or any other Person is required in connection with the Transactions and the extensions of credit hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Loan Documents, except (i) Bankruptcy Court approval, (ii) consents, authorizations, filings and notices described in Schedule 3.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and (iii) the filings referred to in Section 3.19. Each Loan Document has been duly executed and delivered on behalf of each Loan Party party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

3.5 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of any Group Member and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Security Documents). No Requirement of Law or Contractual Obligation applicable to the Borrower or any of its Subsidiaries could reasonably be expected to have a Material Adverse Effect.

3.6 Litigation. Other than the Bankruptcy Court consideration of the Plan of Reorganization and any other litigation described in the Disclosure Statement, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against any Group Member or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect.

3.7 No Default. No Group Member is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

3.8 Ownership of Property; Liens. Each Group Member has title in fee simple to, or a valid leasehold interest in, all its real property, and good title to, or a valid leasehold interest in, all its other property, and none of such property is subject to any Lien except as permitted by Section 6.3. Schedule 1.1C lists, as of the Closing Date, each parcel of owned real property located in the United States and held by the Borrower or any of its Subsidiaries that has a value, in the reasonable opinion of the Borrower, in excess of \$100,000.

3.9 Intellectual Property. Except as would not reasonably be expected to have a Material Adverse Effect, each Group Member owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does the Borrower know of any valid basis for any such claim. To the Borrower's knowledge, the use of Intellectual Property by each Group Member does not infringe on the rights of any Person in any material respect.

3.10 Taxes. Each Group Member has filed or caused to be filed all Federal, state and other material tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any the

amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the relevant Group Member); no tax Lien has been filed, and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

3.11 Federal Regulations. No part of the proceeds of any Loans, and no other extensions of credit hereunder, will be used (a) for “buying” or “carrying” any “margin stock” within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect for any purpose that violates the provisions of the Regulations of the Board or (b) for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1, as applicable, referred to in Regulation U.

3.12 Labor Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against any Group Member pending or, to the knowledge of the Borrower, threatened; (b) hours worked by and payment made to employees of each Group Member have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters; and (c) all payments due from any Group Member on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the relevant Group Member.

3.13 ERISA. Neither a Reportable Event nor an “accumulated funding deficiency” (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan, excluding each Multiemployer Plan, has complied in all material respects with the applicable provisions of ERISA and the Code. To the knowledge of the Borrower, each Multiemployer Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent.

3.14 Investment Company Act; Other Regulations. No Loan Party is an “investment company”, or a company “controlled” by an “investment company”, within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) that limits its ability to incur Indebtedness.

3.15 Subsidiaries. Except as disclosed to the Administrative Agent and the Initial Lenders by the Borrower in writing from time to time after the Closing Date, (a) Schedule 3.15 sets forth the name and jurisdiction of organization of each Subsidiary and, as to each such Subsidiary, the percentage of each class of Capital Stock owned by any Loan Party and (b) there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors and directors’ qualifying shares) of any nature relating to any

Capital Stock of the Borrower or any Subsidiary, except as created by the Loan Documents or as disclosed on Schedule 3.15.

3.16 Use of Proceeds. The proceeds of the Loans shall be used to finance the Loan Parties' obligations under the Plan of Reorganization, including to repay in full the holders of the Senior Convertible Notes, and to pay related fees and expenses arising from this Facility and for general corporate purposes.

3.17 Environmental Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect:

(a) each Group Member: (i) is, and within the period of all applicable statutes of limitation has been, in compliance with all applicable Environmental Laws; (ii) holds all Environmental Permits (each of which is in full force and effect) required for any of its current operations or for any property owned, leased, or otherwise operated by it; (iii) is, and within the period of all applicable statutes of limitation has been, in compliance with all of its Environmental Permits; and (iv) reasonably believes that: each of its Environmental Permits will be timely renewed and complied with; any additional Environmental Permits that may be required of it will be timely obtained and complied with; and compliance with any Environmental Law that is or is expected to become applicable to it will be timely attained and maintained;

(b) Materials of Environmental Concern are not present at, on, under, in, or about any real property currently or formerly owned, leased or operated by any Group Member or at any other location (including, without limitation, any location to which Materials of Environmental Concern have been sent for re-use or recycling or for treatment, storage, or disposal) which could reasonably be expected to (i) give rise to liability of any Group Member under any applicable Environmental Law or otherwise result in costs to any Group Member, or (ii) interfere with any Group Member's continued operations, or (iii) impair the fair saleable value of any real property owned or leased by any Group Member;

(c) there is no judicial, administrative, or arbitral proceeding (including any notice of violation or alleged violation) under or relating to any Environmental Law to which any Group Member is, or to the knowledge of the Borrower will be, named as a party that is pending or, to the knowledge of the Borrower, threatened;

(d) no Group Member has received any written request for information, or been notified that it is a potentially responsible party under or relating to the federal Comprehensive Environmental Response, Compensation, and Liability Act or any similar Environmental Law, or with respect to any Materials of Environmental Concern;

(e) no Group Member has entered into or agreed to any consent decree, order, or settlement or other agreement, nor is subject to any judgment, decree, or order or other agreement, in any judicial, administrative, arbitral, or other forum, relating to compliance with or liability under any Environmental Law; and

(f) no Group Member has assumed or retained, by contract or operation of law, any liabilities of any kind, fixed or contingent, known or unknown, under any Environmental Law or with respect to any Material of Environmental Concern.

3.18 Accuracy of Information, etc. No statement or information contained in this Agreement, any other Loan Document, the Disclosure Statement, the financial statements identified in

Section 3.1 or any other document, certificate or statement furnished by or on behalf of any Loan Party to the Administrative Agent or the Lenders, or any of them, for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. There is no fact known to any Loan Party that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents or in any other documents, certificates and statements furnished to the Administrative Agent and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

3.19 Security Documents. (a) The Guarantee and Collateral Agreement is effective to create in favor of the Administrative Agent, for its benefit and for the benefit of the Lenders, a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Pledged Stock described in the Guarantee and Collateral Agreement, when stock certificates representing such Pledged Stock are delivered to the ABL Facility Agent, and in the case of the other Collateral described in the Guarantee and Collateral Agreement, when financing statements and other filings specified on Schedule 3.19(a) in appropriate form are filed in the offices specified on Schedule 3.19(a), the Guarantee and Collateral Agreement shall constitute a perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), in each case prior and superior in right to any other Person, subject to the Intercreditor Agreement and except for Liens permitted by Section 6.3, including the Liens securing the obligations under the ABL Facility Agreement.

(b) Each Mortgage is effective to create in favor of the Administrative Agent, for its benefit and for the benefit of the Lenders, a legal, valid and enforceable Lien on the Mortgaged Property described therein and proceeds thereof, and when such Mortgage is filed in the offices specified on Schedule 3.19(c), such Mortgage shall constitute a perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the Mortgaged Property described therein and the proceeds thereof, as security for the Obligations (as defined in the relevant Mortgage), in each case prior and superior in right to any other Person, except for Liens permitted by Section 6.3, including the Liens securing the obligations under the ABL Facility Agreement.

3.20 Solvency. The Borrower is, and the Borrower and its Subsidiaries taken as a whole are, and after giving effect to the Transactions and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be, Solvent.

3.21 Certain Documents. The Borrower has delivered to the Administrative Agent a complete and correct copy of the Plan of Reorganization, the Confirmation Order and the ABL Facility Agreement, including any amendments, supplements or modifications with respect to any of the foregoing.

SECTION 4. CONDITIONS PRECEDENT

4.1 Conditions to Initial Extension of Credit. The agreement of each Lender to make the initial extension of credit requested to be made by it is subject to the satisfaction, prior to or

concurrently with the making of such extension of credit on the Closing Date, of the following conditions precedent:

(a) Credit Agreement; Loan Documents. The Administrative Agent and the Initial Lenders shall have received (i) this Agreement, executed and delivered by the Administrative Agent, the Borrower and each Person listed on Schedule 1.1A, (ii) the Guarantee and Collateral Agreement, executed and delivered by the Borrower and each Subsidiary Guarantor and (iii) the Intercreditor Agreement executed and delivered by each party thereto.

(b) DIP Credit Facility. The Initial Lenders shall have received satisfactory evidence that (i) the DIP Credit Facility and all commitments thereunder shall have been terminated and all amounts thereunder shall have been repaid or otherwise satisfied in full and all Liens and security interests granted in connection therewith shall have been terminated or released or (ii) the DIP Credit Facility shall have been converted, pursuant to the Plan of Reorganization, into a commitment to provide the ABL Facility to the Loan Parties after the Closing Date, and no pre-petition indebtedness, debtor-in-possession financing or other claims against the Loan Parties shall remain outstanding as obligations of the Loan Parties, except to the extent converted as set forth in clause (ii) above, outstanding letters of credit deemed issued under the ABL Facility or as otherwise specifically contemplated by the Plan of Reorganization.

(c) Plan of Reorganization; Confirmation Order. The Confirmation Order confirming the Plan of Reorganization (i) shall be in form and substance reasonably satisfactory to the Initial Lenders and shall authorize the Loan Parties to execute and deliver this Agreement and perform their obligations hereunder and (ii) shall be in full force and effect and shall not have been reversed or modified and shall not be stayed or subject to a motion to stay, the period for appealing the Confirmation Order shall have elapsed and the Confirmation Order shall have become a Final Order (as defined in the Plan of Reorganization in effect on the date hereof). No provision of the Plan of Reorganization shall have been amended, supplemented or otherwise modified in any material respect that is adverse to the Lenders without the prior consent of the Initial Lenders. The Plan Effective Date shall have occurred (and all conditions precedent thereto as set forth in the Plan of Reorganization shall have been satisfied) or shall occur simultaneously with the closing of the Facility. The documentation to effect the Plan of Reorganization including, without limitation, the ABL Facility Agreement, shall have reasonably satisfactory terms and conditions, and no provision of such documentation shall have been waived, amended, supplemented or otherwise modified in any material respect without approval of the Initial Lenders. The capitalization, structure and equity ownership of each Loan Party, and the organizational documents and senior management of the Loan Parties, after the consummation of the Plan of Reorganization, shall be consistent in all material respects with the description set forth in the Disclosure Statement.

(d) Financial Statements. The Initial Lenders shall have received (i) unaudited interim consolidated financial statements of the Borrower for each quarterly period ended subsequent to the date of the most recent financial statements delivered to the Initial Lenders, provided that at least 45 days have elapsed since the end of such quarter, and (ii) any budgets, projections or any other financial information delivered to Bank of America, N.A. during the Cases.

(e) Approvals. All governmental and third party approvals necessary in connection with the Transaction, the financing contemplated thereby and hereby and the continuing operations of the Group Members (including shareholder approvals, if any) shall have been obtained on satisfactory terms and shall be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would

restrain, prevent or otherwise impose adverse conditions on the Transactions or the financing thereof or any of the transactions contemplated hereby.

(f) Lien Searches. The Initial Lenders shall have received the results of a recent lien search in each relevant jurisdiction where the Loan Parties are organized, and such search shall reveal no liens on any of the assets of the Loan Parties except for liens permitted by the ABL Facility, Section 6.3 hereof or otherwise permitted by the Loan Documents.

(g) Fees. The Administrative Agent and the Initial Lenders shall have received all fees and expenses (including the reasonable fees and expenses of legal counsel) required to be paid for which invoices have been presented two Business Days before the Closing Date.

(h) Closing Certificate; Certified Certificate of Incorporation; Good Standing Certificates. The Initial Lenders shall have received (i) a certificate of each Loan Party, dated the Closing Date, substantially in the form of Exhibit C, with appropriate insertions and attachments, including the certificate of incorporation of each Loan Party that is a corporation and (ii) a long form good standing certificate for each Loan Party from its jurisdiction of organization. The Administrative Agent shall be reasonably satisfied with the form and substance of the certificates of incorporation and by-laws or other applicable organizational documents of each Loan Party.

(i) Legal Opinions. The Administrative Agent and the Initial Lenders shall have received the following executed legal opinions:

(i) the legal opinion of Vinson & Elkins LLP, counsel to the Borrower and its Subsidiaries, substantially in the form of Exhibit F; and

(ii) the legal opinions of local counsel in Maryland and of such other special and local counsel as may be required by the Administrative Agent or the Initial Lenders.

Each such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement as the Initial Lenders may reasonably require.

(j) Pledged Stock; Stock Powers; Pledged Notes. The ABL Facility Agent shall have received (a) (i) the certificates representing the shares of Capital Stock pledged pursuant to the Guarantee and Collateral Agreement together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof and (ii) each promissory note (if any) pledged to the Administrative Agent pursuant to the Guarantee and Collateral Agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank) by the pledgor thereof.

(k) Filings, Registrations and Recordings. Each document (including any Uniform Commercial Code financing statement) required by the Security Documents or under law or reasonably requested by the Initial Lenders to be filed, registered or recorded in order to create in favor of the Administrative Agent, for its benefit and for the benefit of the Lenders, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 6.3), subject to the Intercreditor Agreement, shall be in proper form for filing, registration or recordation.

(l) Mortgages, etc. The Administrative Agent and the Initial Lenders shall have received a Mortgage with respect to the Mortgaged Property, executed and delivered by a duly authorized officer of each party thereto.

(m) Insurance. The Initial Lenders and the Administrative Agent shall have received insurance certificates satisfying the requirements of Section 5.2(b) of the Guarantee and Collateral Agreement.

(n) Other Documents. The Administrative Agent and the Initial Lenders shall have received such documents and other instruments as the Administrative Agent, the Initial Lenders or their respective counsel may reasonably request.

(o) Representations and Warranties. Each of the representations made by any Loan Party in or pursuant to the Loan Documents including, without limitation, the material adverse change and litigation representations shall be true and correct in all material respects as of the Closing Date.

(p) No Default. No Default or Event of Default shall have occurred and be continuing on the Closing Date after giving effect to the Loans made on the Closing Date.

(q) The ABL Facility. The ABL Facility Agreement shall provide for a revolving commitment for the Borrower in an aggregate principal amount not to exceed \$80,000,000 and shall otherwise be on terms and conditions reasonably satisfactory to the Initial Lenders.

Notwithstanding the foregoing, certain conditions specified in this Section 4.1 may be satisfied on the date(s) required by Section 5.10.

SECTION 5. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, the Borrower shall and shall cause each of its Subsidiaries to:

5.1 Financial Statements. Furnish to the Administrative Agent for the benefit of each Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by Ernst & Young LLP or other independent certified public accountants of nationally recognized standing;

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments); and

(c) as soon as available, but in any event not later than 30 days after the end of each month occurring during each fiscal year of the Borrower (but within 60 days after the last month in the Borrower's fiscal year), the unaudited consolidated balance sheets of the Borrower and its

consolidated Subsidiaries as at the end of such month and the related unaudited consolidated statements of income and of cash flows for such month and the portion of the fiscal year through the end of such month, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments).

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied (except as approved by such accountants or officer, as the case may be, and disclosed in reasonable detail therein) consistently throughout the periods reflected therein and with prior periods, subject in the case of unaudited financial statements to normal year-end audit adjustments and the absence of footnotes.

5.2 Certificates; Other Information. Furnish to the Administrative Agent for the benefit of each Lender (or, in the case of clause (g), to the relevant Lender):

(a) concurrently with the delivery of the financial statements referred to in Section 5.1(a), a copy of the accountants' letter to Borrower's management that is prepared in connection with such financial statements and a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default pursuant to Section 6.1, except as specified in such certificate;

(b) concurrently with the delivery of any financial statements pursuant to Section 5.1, (i) a certificate of a Responsible Officer stating that, to the best of each such Responsible Officer's knowledge, each Loan Party during such period has observed or performed all of its covenants and other agreements, and satisfied every condition contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) in the case of quarterly or annual financial statements, (w) a Compliance Certificate containing all information and calculations necessary for determining compliance by the Group Members with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Borrower, including, without limitation, calculations of the EBITDA-CapEx Level for each such fiscal quarter or fiscal year and the peak amount outstanding under the ABL Facility during each fiscal quarter, as the case may be, (x) to the extent not previously disclosed to the Administrative Agent and the Initial Lenders, a description of any change in the jurisdiction of organization of any Loan Party, the name or corporate structure of any Loan Party and a list of any Intellectual Property acquired by any Loan Party since the date of the most recent report delivered pursuant to this clause (x) (or, in the case of the first such report so delivered, since the Closing Date), (y) to the extent not previously disclosed to the Administrative Agent and the Initial Lenders, certifications that no property of the type described in Section 5.9 as to which the Administrative Agent does not have a perfected Lien pursuant to the Security Documents has been acquired and (z) no Subsidiary, including an Excluded Foreign Subsidiary, has been formed or acquired or, if any such Subsidiary has been formed or acquired, the Borrower has complied with the requirements of Section 5.9 with respect thereto.

(c) as soon as available, but in any event no later than 15 days prior to the end of each fiscal year of the Borrower, projections with respect to the forthcoming three fiscal years, year by year, of the Borrower and for the forthcoming fiscal year, month by month (collectively, the "Projections"), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections are based on reasonable estimates, information

and assumptions and that such Responsible Officer has no reason to believe that such Projections are incorrect or misleading in any material respect;

(d) within 45 days after the end of the first three fiscal quarters of the Borrower, a narrative discussion and analysis of the financial condition and results of operations of the Borrower and its Subsidiaries for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter, as compared to the comparable periods of the previous year;

(e) promptly prior to the execution thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect to the ABL Facility;

(f) promptly after the sending or filing thereof, as the case may be, copies of all financial statements and reports that the Borrower sends to the holders of any class of its debt securities or public equity securities and copies of all financial statements and reports that the Borrower may make to, or file with, the SEC or any Governmental Authority which may be substituted therefor, or any national securities exchange;

(g) promptly after the sending or filing thereof and upon the request of the Administrative Agent or the Initial Lenders, the Borrower shall also furnish copies of any annual report to be filed in accordance with ERISA in connection with each Plan that is an "employee pension benefit plan," within the meaning of Section 3(2) of ERISA; and

(h) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

5.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, including, without limitation, taxes, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the relevant Group Member.

5.4 Maintenance of Existence; Compliance. (a)(i) Preserve, renew and keep in full force and effect its organizational existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 6.4 and except, in the case of clause (ii) above, to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.5 Maintenance of Property; Insurance. (a) Keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and (b) maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business.

5.6 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives of any Lender upon reasonable advance notice to visit and inspect

any of its properties and examine and make abstracts from any of its books and records at any reasonable time, but only during normal business hours, and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of the Group Members with officers and employees of the Group Members and with their independent certified public accountants.

5.7 Notices. Promptly give notice to the Administrative Agent and each Lender of:

- (a) the occurrence of any Default or Event of Default;
- (b) any (i) default or event of default under any Contractual Obligation of any Group Member or (ii) litigation, investigation or proceeding that may exist at any time between any Group Member and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;
- (c) any litigation or proceeding affecting any Group Member (i) in which the amount involved is \$1,000,000 or more and not covered by insurance, (ii) in which injunctive or similar relief is sought or (iii) which relates to any Loan Document;
- (d) the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Single Employer Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Single Employer Plan or Multiemployer Plan;
- (e) the following events: (i) any Governmental Authority has identified Borrower as a potentially responsible party under any Environmental Law for the cleanup of Materials of Environmental Concern at any location, whether or not owned, leased, or operated by the Borrower; (ii) any Governmental Authority may deny any Environmental Permit held by, or is refusing to renew any Environmental Permit sought by, Borrower; or (iii) any property owned, leased, or operated by the Borrower is being listed on, or proposed for listing on, any list maintained by any Governmental Authority, including without limitation the National Priorities List ("NPL") and the Comprehensive Environmental Response, Compensation and Liability Information System ("CERCLIS") maintained by the U.S. Environmental Protection Agency and any similar list maintained by any other federal, state, local, or other authority; and
- (f) any development or event that has had or could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section 5.7 shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the relevant Group Member proposes to take with respect thereto.

5.8 Environmental Laws.

(a) Comply in all material respects with, and ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all Environmental Permits.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

(c) Generate, use, treat, store, release, dispose of, and otherwise manage Materials of Environmental Concern in a manner that would not reasonably be expected to result in a material liability to any Group Member or to materially affect any real property owned or leased by any of them; and take reasonable efforts to prevent any other Person from generating, using, treating, storing, releasing, disposing of, or otherwise managing Materials of Environmental Concern in a manner that could reasonably be expected to result in a material liability to, or materially affect any real property owned or operated by, any Group Member.

5.9 Additional Collateral, etc.

(a) With respect to any property acquired after the Closing Date by any Group Member of the type constituting Collateral under the Guarantee and Collateral Agreement (other than (x) any property described in paragraph (b) or (c) below, (y) any property subject to a Lien expressly permitted by Section 6.3(g) and (z) property acquired by any Excluded Foreign Subsidiary) as to which the Administrative Agent, for its benefit and for the benefit of the Lenders, does not have a perfected Lien, promptly (i) execute and deliver to the Administrative Agent and the Lenders such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent or the Initial Lenders deem necessary or advisable to grant to the Administrative Agent, for its benefit and for the benefit of the Lenders, a security interest in such property and (ii) take all actions necessary or advisable to grant to the Administrative Agent, for its benefit and for the benefit of the Lenders, a perfected security interest in such property, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent or the Initial Lenders.

(b) With respect to any fee interest in any real property having a value (together with improvements thereof) of at least \$100,000 acquired after the Closing Date by any Group Member (or which is owned by a Subsidiary which is acquired by a Group Member) (other than (x) any such real property subject to a Lien expressly permitted by Section 6.3(g) and (y) real property acquired by any Excluded Foreign Subsidiary), promptly (i) execute and deliver a Mortgage, in favor of the Administrative Agent, for its benefit and for the benefit of the Lenders, covering such real property and (ii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(c) With respect to any new Subsidiary (other than an Excluded Foreign Subsidiary) created or acquired after the Closing Date by any Group Member (which, for the purposes of this paragraph (c), shall include any existing Subsidiary that ceases to be an Excluded Foreign Subsidiary), promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent or the Initial Lenders deem necessary or advisable to grant to the Administrative Agent, for its benefit and for the benefit of the Lenders, a perfected security interest in the Capital Stock of such new Subsidiary that is owned by any Group Member, (ii) prior to the BofA Loan Termination Date, deliver to the ABL Facility Agent and, thereafter, to the Administrative Agent, the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the relevant Group Member, (iii) cause such new Subsidiary (A) to become a party to the Guarantee and Collateral Agreement, (B) to take such actions necessary or advisable to grant to the Administrative Agent for the benefit of the Lenders a perfected

security interest in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent or the Initial Lenders and (C) to deliver to the Administrative Agent a certificate of such Subsidiary, substantially in the form of Exhibit C, with appropriate insertions and attachments, and (iv) if requested by the Administrative Agent or the Initial Lenders, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent and the Initial Lenders.

(d) With respect to any new Excluded Foreign Subsidiary created or acquired after the Closing Date by any Group Member (other than by any Group Member that is an Excluded Foreign Subsidiary), promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent or the Initial Lenders deem necessary or advisable to grant to the Administrative Agent, for its benefit and for the benefit of the Lenders, a perfected security interest in the Capital Stock, which shall be a certificated security, of such new Subsidiary that is owned by any such Group Member (provided that in no event shall more than 66% of the total outstanding voting Capital Stock of any such new Subsidiary be required to be so pledged), (ii) prior to the BofA Loan Termination Date, deliver to the ABL Facility Agent and, thereafter, to the Administrative Agent, the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the relevant Group Member, and take such other action as may be necessary or, in the opinion of the Administrative Agent or the Initial Lenders, desirable to perfect the Administrative Agent's security interest therein, and (iii) if requested by the Administrative Agent or the Initial Lenders, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent and the Initial Lenders.

(e) The Borrower hereby agrees (a) that if the ABL Facility Agent or any lender party to the ABL Facility Agreement is granted a Lien in any property of any Loan Party or any other Person as security for the ABL Facility, the Borrower shall ensure that the Administrative Agent, on behalf of the Lenders, shall also promptly receive a Lien in such property, and shall ensure that the Administrative Agent's Lien in such property shall have the same priority as the other Liens granted to the Administrative Agent hereunder, pursuant to documentation satisfactory to the Administrative Agent in the good faith exercise of its credit judgment, and (b) that if any Person guarantees all or any portion of the ABL Facility, the Borrower shall ensure that a comparable guarantee is promptly obtained in favor of the Administrative Agent and the Lenders, pursuant to documentation satisfactory to the Administrative Agent in the good faith exercise of its credit judgment.

5.10 Post-Closing Matters. Cause the post-closing matters identified on Schedule 5.10 to be completed on or before the date which is 15 Business Days after the Closing Date (which period may be extended by the Administrative Agent (at the direction of the Initial Lenders) from time to time in its discretion).

SECTION 6. NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

6.1 Financial Condition Covenants.

(a) Minimum Shutdown EBIT. Permit Shutdown EBIT to be less than zero as of the last day of each calendar month ending on or after October 31, 2006.

(b) Conversion to Cash of Shutdown Subsidiaries Non-Cash Modified Net Working Capital. Permit the Shutdown Subsidiaries to convert their aggregate Modified Net Working Capital existing as of March 31, 2006 to cash in an amount less than the amount set forth below for the corresponding period set forth below as of the last day of such period:

Period	Minimum Non-Cash Net Working Capital Converted to Cash
March 31, 2006 through October 31, 2006	\$17,200,000
March 31, 2006 through November 30, 2006	\$18,900,000
March 31, 2006 through December 31, 2006	\$20,600,000
March 31, 2006 through January 31, 2007	\$22,300,000
March 31, 2006 through February 28, 2007	\$22,600,000
March 31, 2006 through March 31, 2007	\$23,600,000

(c) Minimum Commercial EBIT. Permit Commercial EBIT, tested as of the last day of each calendar month for such calendar month, to be less than \$1,250,000 for any two consecutive calendar months ending on or after October 31, 2006.

(d) Minimum Residential EBIT. Permit Residential EBIT, tested as of the last day of each calendar month for such calendar month, to be less than \$1,750,000 for any two consecutive calendar months ending on or after October 31, 2006.

(e) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio, as of the last day of each calendar month commencing on October 31, 2006 and calculated on a trailing twelve month calendar basis, to be less than 1.25 to 1.00.

(f) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio, tested monthly on a the last day of each calendar month on a trailing twelve calendar month basis commencing on October 31, 2006, to exceed the ratio set forth below opposite each such calendar month:

Period Ending	Consolidated Leverage Ratio
October 31, 2006	4:75 to 1.00
November 30, 2006	4:75 to 1.00
December 31, 2006	4:75 to 1.00
January 31, 2007	4:75 to 1.00
February 28, 2007	4:75 to 1.00
March 31, 2007	4:75 to 1.00
April 30, 2007 and the last day of each calendar month thereafter	4.25 to 1.00

(g) Cash Collateral. At any time prior to the BofA Loan Termination Date, permit the Cash Collateral in the Cash Collateral Account to be less than \$20,000,000.

(h) EBITDA-CapEx Level. Permit the EBITDA-CapEx Level to be less than negative \$20,000,000 (i) for any fiscal quarter, as of the last day of the second, third or fourth fiscal quarters of the Borrower's 2006 fiscal year or as of the last day of the first quarter of the Borrower's 2007 fiscal year or (ii) on a cumulative basis for any consecutive quarters, as measured on the last day of such period, commencing on the first day of the second fiscal quarter of the Borrower's 2006 fiscal year and ending on the last day of the first quarter of the Borrower's 2007 fiscal year.

6.2 Indebtedness. Create, issue, incur, assume, become liable in respect of or suffer to exist any Indebtedness, except:

- (a) Indebtedness of any Loan Party pursuant to any Loan Document;
- (b) Indebtedness of (i) the Borrower to any Subsidiary, (ii) of any Wholly Owned Subsidiary Guarantor to the Borrower or any other Subsidiary and (iii) of any Loan Party to any other Loan Party.
- (c) Guarantee Obligations incurred in the ordinary course of business by the Borrower or any of its Subsidiaries of obligations of any Wholly Owned Subsidiary Guarantor;
- (d) Indebtedness outstanding on the date hereof and listed on Schedule 6.2(d) and any refinancings, refundings, renewals or extensions thereof (without increasing, or shortening the maturity of, the outstanding principal amount thereof at the time of such refinancing, renewal or extension thereof);
- (e) Indebtedness (including, without limitation, Capital Lease Obligations) secured by Liens permitted by Section 6.3(g) in an aggregate principal amount not to exceed \$2,000,000 at any one time outstanding;
- (f) (i) Indebtedness of the Borrower in respect of the ABL Facility in an aggregate amount not to exceed \$90,000,000 and any refinancings, renewals or extensions thereof (without increasing the principal amount in excess of \$90,000,000 or shortening the maturity thereof); provided that the aggregate amount of outstanding Indebtedness thereunder (exclusive of any letters of credit issued under the ABL Facility in connection with or to (w) insurance contracts, (x) surety bonds, (y) any of the Loan Parties' self-insurance program or (z) vendors for purposes

of purchases of products and services and customers to secure performance and, with respect solely to this clause (z), in an aggregate amount not to exceed \$12,000,000 at any one time outstanding, in each case in the ordinary course of business) shall not exceed \$25,000,000, which sublimit may be increased to an aggregate amount not to exceed \$50,000,000 by adding to the \$25,000,000 sublimit no more than 50% of the Net Cash Proceeds received in connection with the issuance of common or preferred stock (other than mandatorily redeemable preferred stock) by the Borrower; provided further that for the initial 45 days after the Closing Date, all reimbursed or unreimbursed letter of credit drawings under the ABL Facility shall be ignored for purposes of determining compliance with the \$25,000,000 sublimit set forth in this paragraph (f); provided further that the \$25,000,000 sublimit set forth in this paragraph (f) shall be permanently reduced dollar-for-dollar by any Net Cash Proceeds from Asset Sales not either applied to prepay the Aggregate Principal Amount Outstanding or deposited into the Cash Collateral Account and (ii) Guarantee Obligations of any Subsidiary Guarantor in respect of such Indebtedness;

(g) Indebtedness arising from Surety Bonds procured in the ordinary course of business; and

(h) unsecured Indebtedness of any Loan Party in an aggregate principal amount not to exceed \$1,000,000 at any one time outstanding so long as (i) such Indebtedness does not mature earlier than the fourth anniversary of the Closing Date, (ii) such Indebtedness accrues interest at a rate not to exceed 13% per annum payable in cash and (iii) the terms of such Indebtedness do not provide for any amortization or repayment while the Loans are outstanding.

6.3 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, except:

(a) Liens for taxes not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; provided that to the extent any such Liens attach to any of the Collateral, such Liens are at all times subordinate and junior to the Liens upon the Collateral in favor of the Administrative Agent;

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and that do not materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(f) Liens in existence on the date hereof listed on Schedule 6.2(f), securing Indebtedness permitted by Section 6.2(d), provided that no such Lien is spread to cover any additional property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;

(g) Liens securing Indebtedness of the Borrower or any other Subsidiary incurred pursuant to Section 6.2(e) to finance the acquisition of fixed or capital assets, provided that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (iii) the amount of Indebtedness secured thereby is not increased;

(h) Liens created pursuant to the Security Documents;

(i) any interest or title of a lessor under any lease entered into by the Borrower or any other Subsidiary in the ordinary course of its business and covering only the assets so leased;

(j) Liens securing the Indebtedness under the ABL Facility permitted pursuant to Section 6.2(f) hereof;

(k) Liens arising from judgments and attachments in connection with court proceedings; provided that (i) the attachment or enforcement of such Liens would not result in an Event of Default hereunder, (ii) such Liens are being contested in good faith by appropriate proceedings, (iii) adequate reserves have been set aside for such court proceeding, (iv) no material assets or property of any Loan Party is subject to a material risk of loss or forfeiture as a result of any such judgment or attachment, (v) the claims in respect of such Liens are fully covered by insurance (subject to ordinary and customary deductibles) and (vi) a stay of execution pending appeal or proceeding in respect of any such judgment or attachment for review is in effect;

(l) Liens in the Surety Collateral securing reimbursement obligations for Surety Bonds procured by a Loan Party in the ordinary course of business;

(m) Liens securing Indebtedness of a Loan Party to the Borrower or to another Loan Party; and

(n) Normal and customary rights of setoff upon deposits of cash in favor of banks and other depository institutions and Liens of a collection bank arising under the Uniform Commercial Code on payment items in the course of collection.

6.4 Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its property or business, except that:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any Wholly Owned Subsidiary Guarantor (provided that the Wholly Owned Subsidiary Guarantor shall be the continuing or surviving corporation);

(b) any Subsidiary of the Borrower may Dispose of any or all of its assets (i) to the Borrower or any Wholly Owned Subsidiary Guarantor (upon voluntary liquidation or otherwise) or (ii) pursuant to a Disposition permitted by Section 6.5; and

(c) any Investment expressly permitted by Section 6.7 may be structured as a merger, consolidation or amalgamation.

6.5 Disposition of Property. Dispose of any of its property, whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

- (a) the Disposition of obsolete or worn-out property in the ordinary course of business;
- (b) the sale of inventory in the ordinary course of business;
- (c) Dispositions permitted by clause (i) of Section 6.4(b);
- (d) the sale or issuance of any Subsidiary's Capital Stock to the Borrower or any Wholly Owned Subsidiary Guarantor; and
- (e) the Disposition of other property having a fair market value not to exceed \$12,000,000 in the aggregate during the term of this Agreement; provided that, if such Disposition is consummated prior to the BofA Loan Termination Date, any Second Lien Net Cash Proceeds from such Disposition shall be applied in accordance with Section 2.6(a) of this Agreement.

6.6 Restricted Payments. Declare or pay any dividend (other than dividends payable solely in common stock of the Person making such dividend) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of any Group Member, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of any Group Member (collectively, "Restricted Payments"), except that (a) any Subsidiary may make Restricted Payments to the Borrower or any Wholly Owned Subsidiary Guarantor and (b) the Borrower may repurchase its common stock from employees in order to satisfy their tax obligations arising from their acquisition of such common stock.

6.7 Investments. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting a business unit of, or make any other investment in, any Person (all of the foregoing, "Investments"), except:

- (a) extensions of trade credit in the ordinary course of business;
 - (b) investments in Cash Equivalents;
 - (c) Guarantee Obligations permitted by Section 6.2;
 - (d) loans and advances for business purposes to employees of any Group Member in the ordinary course of business (including for travel, entertainment, commissions and relocation expenses); provided that such loans and advances made to any officer or director of any Group Member shall not exceed \$250,000 in the aggregate at any one time outstanding;
 - (e) Investments in assets useful in the business of the Borrower and its Subsidiaries made by the Borrower or any of its Subsidiaries with the proceeds of any Reinvestment Deferred Amount;
 - (f) intercompany Investments by any Group Member in the Borrower or any Person that, prior to such investment, is a Wholly Owned Subsidiary Guarantor; or
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(g) in addition to Investments otherwise expressly permitted by this Section 6.7, Investments by the Borrower or any of its Subsidiaries in an aggregate amount (valued at cost) not to exceed \$2,000,000 during the term of this Agreement.

6.8 Modifications of Certain Debt Instruments. Amend, modify, waive or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of the ABL Facility or the ABL Facility Agreement, together with all instruments and other agreements entered into by any Group Member in connection therewith (other than as permitted under the Intercreditor Agreement).

6.9 Transactions with Affiliates. Enter into any transaction, including any purchase, sale, lease or exchange of property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than the Borrower or any Wholly Owned Subsidiary Guarantor) unless such transaction is (a) otherwise permitted under this Agreement, (b) in the ordinary course of business of the relevant Group Member and (c) upon fair and reasonable terms no less favorable to the relevant Group Member than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate.

6.10 Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by any Group Member of real or personal property that has been or is to be sold or transferred by such Group Member to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of such Group Member.

6.11 Swap Agreements. Enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which the Borrower or any Subsidiary has actual exposure (other than those in respect of Capital Stock) and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Borrower or any Subsidiary.

6.12 Changes in Fiscal Periods. Permit the fiscal year of the Borrower to end on a day other than September 30 or change the Borrower's method of determining fiscal quarters.

6.13 Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of any Group Member to create, incur, assume or suffer to exist any Lien upon any of its property or revenues, whether now owned or hereafter acquired, to secure its obligations under the Loan Documents to which it is a party other than (a) this Agreement and the other Loan Documents, (b) the ABL Facility Agreement and (c) any agreements governing any purchase money Liens or Capital Lease Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby), and (d) any agreements governing the issuance of Surety Bonds.

6.14 Clauses Restricting Subsidiary Distributions. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Borrower to (a) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary of the Borrower, (b) make loans or advances to, or other Investments in, the Borrower or any other Subsidiary of the Borrower or (c) transfer any of its assets to the Borrower or any other Subsidiary of the Borrower, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents, the ABL Facility Agreement or any agreement governing the issuance of Surety Bonds and (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in

connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary.

6.15 Lines of Business. Enter into any business, either directly or through any Subsidiary, except for those businesses in which the Borrower and its Subsidiaries are engaged on the date of this Agreement (after giving effect to the Plan of Reorganization) or that are reasonably related thereto.

SECTION 7. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) the Borrower shall fail to pay any Aggregate Principal Amount Outstanding or any interest thereon when due in accordance with the terms hereof; or any other amount payable hereunder or under any other Loan Document within five Business Days after any such other amount becomes due in accordance with the terms hereof; or

(b) any representation or warranty made or deemed made by any Loan Party herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made; or

(c) any Loan Party shall default in the observance or performance of any agreement contained in clause (i) or (ii) of Section 5.4(a), Section 5.7(a) or Section 6 of this Agreement or Sections 5.5 and 5.7(b) of the Guarantee and Collateral Agreement; or

(d) any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section 7), and such default shall continue unremedied for a period of 30 days; or

(e) any Group Member shall (i) default in making any payment of any principal of any Indebtedness (including any Guarantee Obligation, but excluding the Aggregate Principal Amount Outstanding) on the scheduled or original due date with respect thereto; or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate \$500,000; or

(f) (i) any Group Member shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Group Member shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Group Member any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed or undischarged for a period of 60 days; or (iii) there shall be commenced against any Group Member any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) any Group Member shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any Group Member shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of any Group Member or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Person shall give notice of intent to terminate a Single Employer Plan shall under Section 4041(c) of ERISA, (v) any Group Member or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of the Required Lenders, reasonably be expected to have a Material Adverse Effect; or

(h) one or more judgments or decrees shall be entered against any Group Member involving in the aggregate a liability (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of \$500,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) any of the Security Documents shall cease, for any reason, to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party shall so assert, or any Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby; or

(j) the guarantee contained in Section 2 of the Guarantee and Collateral Agreement shall cease, for any reason, to be in full force and effect or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(k) the Intercreditor Agreement shall cease for any reason to be valid or any Loan Party or any of its Subsidiaries shall so assert in writing; or

(l) (i)(A) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) excluding the Principal Stockholders shall become, or obtain rights (whether by means of warrants, options or otherwise) to become the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding common stock of the Borrower, (B) the board of directors of the Borrower shall cease to consist of a majority of Continuing Directors, or (C) the Borrower shall cease to own and control, of record and beneficially, 100% of each class of outstanding Capital Stock of the Subsidiaries free and clear of all Liens (except Liens created by the Guarantee and Collateral Agreement or Liens securing the Indebtedness under the ABL Facility) or (ii) a Specified Change of Control shall occur;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to the Borrower, the Aggregate Principal Amount Outstanding (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents shall immediately become due and payable, and (B) if such event is any other Event of Default, with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Aggregate Principal Amount Outstanding (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable. Except as expressly provided above in this Section 7, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Borrower.

SECTION 8. THE ADMINISTRATIVE AGENT

8.1 Appointment. Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

8.2 Delegation of Duties. (a) The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care. The exculpatory provisions of this Agreement shall apply to any such agents or attorneys in fact and to their Related Parties. The Administrative Agent is authorized on behalf of all the Lenders, without the necessity of any notice to or further consent from the Lenders, from time to time to take any action with respect to any Collateral or the Security Documents which may be necessary to

perfect and maintain a perfected security interest in and Liens upon the Collateral granted pursuant to the Loan Documents. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder or under any of the other Loan Documents, the Administrative Agent shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not the Administrative Agent is deemed to have knowledge of such matters, or as to taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral (including the filing of UCC Continuation Statements). The Administrative Agent shall be deemed to have exercised appropriate and due care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which other administrative agents accord similar property. In addition, the Lenders hereby empower and authorize the Administrative Agent, on behalf of the Lenders, to execute and deliver to the Loan Parties the other Loan Documents, the Intercreditor Agreement and all related agreements, certificates, documents, or instruments as shall be necessary or appropriate to effectuate the purposes of the Loan Documents. Each Lender agrees that any action taken by the Administrative Agent or the Required Lenders in accordance with the terms of this Agreement, the Intercreditor Agreement or the other Loan Documents, and the exercise by the Administrative Agent or the Required Lenders of their respective powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders.

(b) Each Loan Party will furnish such information about the Collateral, the Loan Parties and any other information the Administrative Agent deems necessary to exercise any of the rights or powers vested in it by the Loan Documents as the Administrative Agent may reasonably request from time to time.

8.3 Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact, controlling persons or affiliates (collectively, the "Related Parties") shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent or any of the Related Parties under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party a party thereto to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party. Notwithstanding anything herein to the contrary, the Administrative Agent shall not be required to act hereunder or to advance its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of its rights hereunder and under any other agreements or documents to which it is a party, and shall in all cases be fully justified in failing or refusing to act hereunder unless it shall receive further assurances to its satisfaction from the Loan Parties and the Lenders (other than the Administrative Agent) of their indemnification obligations hereunder against any and all liability and expense that may be incurred by it by reason of taking or continuing to take or refraining from taking any such action.

8.4 Reliance by Administrative Agent. The Administrative Agent and its Related Parties shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing,

resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent and its Related Parties may deem and treat the Lenders set forth in the Register as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent and its Related Parties shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such written advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by all of the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent and its Related Parties shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

8.5 **Notice of Default.** The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed in writing by the Required Lenders (or, if so specified by this Agreement, all Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

8.6 **Non-Reliance on Administrative Agent and Other Lenders.** Each Lender expressly acknowledges that neither the Administrative Agents nor any of its Related Parties have made any representations or warranties to it and that no act by the Administrative Agent hereafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party or any affiliate of a Loan Party that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

8.7 Indemnification. The Lenders agree to indemnify the Administrative Agent and its Related Parties, as applicable, in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Term Percentages in effect on the date on which indemnification is sought under this Section 8.7 (or, if indemnification is sought after the date upon which the Aggregate Principal Amount Outstanding shall have been paid in full, ratably in accordance with such Term Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind (including attorney's fees and expenses) whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against the Administrative Agent and/or any of its Related Parties, in any way relating to or arising out of this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's gross negligence or willful misconduct. The agreements in this Section 8.7 shall survive the payment of the Aggregate Principal Amount Outstanding and all other amounts payable hereunder.

8.8 Administrative Agent in Its Individual Capacity. The Administrative Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Loan Party as though such Administrative Agent were not an agent. Notwithstanding anything herein to the contrary, the Administrative Agent shall in no event make any make any Loan or other advances hereunder or under any other Loan Documents.

8.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 10 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 7(a) or Section 7(f) with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 10 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

SECTION 9. MISCELLANEOUS

9.1 Amendments and Waivers. (a) Neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 9.1. The Required Lenders, each of the Initial Lenders (so long as such Initial Lender holds more than 15% of the Aggregate Principal Amount Outstanding at the

time any such amendment, supplement, waiver or consent shall become effective) and each Loan Party party to the relevant Loan Document may, or, with the written consent of the Required Lenders, all of the Initial Lenders (so long as such Initial Lender holds more than 15% of Aggregate Principal Amount Outstanding at the time any such amendment, supplement, waiver or consent shall become effective), the Administrative Agent and each Loan Party party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) forgive the principal amount or extend the final scheduled date of maturity of any Loan, reduce the stated rate of any interest or fee payable hereunder or extend any due date of any such interest or fee (except (x) in connection with the waiver of applicability of any post-default increase in interest rates and (y) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest for purposes of this clause (i)) without the written consent of each Lender directly affected thereby; (ii) eliminate or reduce the voting or consent rights of any Lender under this Section 9.1 without the written consent of such Lender or Initial Lender; (iii) reduce any percentage specified in the definition of Required Lenders, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release all or substantially all of the Subsidiary Guarantors from their obligations under the Guarantee and Collateral Agreement, in each case without the written consent of all Lenders; or (iv) amend, modify or waive any provision of Section 8 or Section 9.5 or impose any additional duties or obligations on the Administrative Agent, in each case without the written consent of the Administrative Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

9.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrower and the Administrative Agent, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Lenders, or to such other address as may be hereafter notified by the respective parties hereto:

Borrower: 1800 West Loop South, Suite 500
Houston, Texas 77027
Attention: David A. Miller, Chief Financial Officer
Telecopy: (713) 860-1599
Telephone: (713) 860-1521

Administrative Agent: Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration

Telecopy: (302) 636-4145
Telephone: (302) 636-6453

Eton Park: 825 Third Avenue, 8th Floor
New York, New York 10022
Attention: Aba Schubert
Telecopy: (212) 756-5488
Telephone: (212) 756-5391

with a copy to:
Attention: David Zalta
Telecopy: (212) 756-5401
Telephone: (212) 756-5302

Flagg Street: 44 Brattle Street
Cambridge, Massachusetts 02138
Attention: Andrew Moss, Esq.
Telecopy: (617) 876-6081
Telephone: (617) 876-6085

provided that any notice, request or demand to or upon the Administrative Agent or the Lenders shall not be effective until received.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

9.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

9.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

9.5 Payment of Expenses and Taxes. The Borrower agrees whether or not the transaction completed herein were consummated (a) to pay or reimburse the Administrative Agent and the Initial Lenders for all of their respective reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation, execution and delivery of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees and disbursements of counsel to the Administrative Agent and the Initial Lenders and filing and recording fees and expenses, with

statements with respect to the foregoing to be submitted to the Borrower prior to the Closing Date (in the case of amounts to be paid on the Closing Date) and from time to time thereafter on a quarterly basis or such other periodic basis as the Administrative Agent or the Initial Lenders shall deem appropriate, (b) to pay or reimburse each Lender and the Administrative Agent for all its out-of-pocket costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents, including the fees and disbursements of counsel to each Lender and of counsel to the Administrative Agent, (c) to pay, indemnify, and hold each Lender and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender and the Administrative Agent and their Related Parties (each, an "Indemnitee") harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, including any of the foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of any Group Member, or any actual or alleged presence or release of Materials of Environmental Concern on or from any property currently or formerly owned or operated by any Group Member, and the reasonable fees and expenses of legal counsel in connection with claims, actions or proceedings by any Indemnitee against any Loan Party under any Loan Document (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"), provided, that the Borrower shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the bad faith, gross negligence or willful misconduct of such Indemnitee. Without limiting the foregoing, and to the extent permitted by applicable law, the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section 9.5 shall be payable not later than 10 days after written demand therefor. The agreements in this Section 9.5 shall survive repayment of the Aggregate Principal Amount Outstanding and all other amounts payable hereunder.

9.6 Successors and Assigns; Participations and Assignments. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section 9.6.

(b)(i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees (each, an "Assignee") all or a portion of its rights and obligations under this Agreement (including all or a portion of the Aggregate Principal Amount Outstanding at the time owing to it or Term Commitments) without the prior written consent of the Borrower; provided that the consent of the Borrower shall be required in the case of assignments of Term Commitments, which consent shall not be unreasonably withheld or delayed; provided further that no consent of the Borrower shall be required for an assignment to an Initial Lender or an affiliate of an Initial Lender;

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Loans, the amount of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$1,000,000 unless each of the Borrower and the Administrative Agent, at the direction of the Required Lenders, otherwise consent, provided that (1) no such consent of the Borrower shall be required if an Event of Default under Section 8(a) or (f) has occurred and is continuing and (2) such amounts shall be aggregated in respect of each Lender and its affiliates or Approved Funds, if any;

(B) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500; and

(C) the Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an administrative questionnaire.

For the purposes of this Section 9.6, "Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an affiliate of a Lender or (c) an entity or an affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) below, from and after the effective date specified in each Assignment and Assumption the Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.11, 2.12 and 9.5). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.6 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Aggregate Principal Amount Outstanding owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an Assignee, the Assignee's completed administrative questionnaire (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this

Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c)(i) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the proviso to the second sentence of Section 9.1 and (2) directly affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.11 and 2.12 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.7(b) as though it were a Lender, provided such Participant shall be subject to Section 9.7(a) as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.11 or 2.12 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. Any Participant that is a Non-U.S. Lender shall not be entitled to the benefits of Section 2.12 unless such Participant complies with Section 2.12(d).

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or Assignee for such Lender as a party hereto.

(e) The Borrower, upon receipt of written notice from the relevant Lender, agrees to issue a Note to any Lender requiring a Note to facilitate transactions of the type described in paragraph (d) above.

(f) Notwithstanding the foregoing, any Conduit Lender may assign any or all of the Loans it may have funded hereunder to its designating Lender without the consent of the Borrower or the Administrative Agent and without regard to the limitations set forth in Section 9.6(b). Each of the Borrower, each Lender and the Administrative Agent hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any federal or state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Lender; provided, however, that each Lender designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense arising out of its inability to institute such a proceeding against such Conduit Lender during such period of forbearance.

9.7 Adjustments; Set-off.

(a) Except to the extent that this Agreement expressly provides for payments to be allocated to a particular Lender, if any Lender (a "Benefitted Lender") shall receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 7(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of the Obligations owing to such other Lender, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of the Obligations owing to each such other Lender, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower, as the case may be. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.

9.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

9.9 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.10 Integration. This Agreement, the Intercreditor Agreement and the other Loan Documents represent the entire agreement of the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

9.11 **GOVERNING LAW, THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

9.12 Submission To Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower, its address set forth in Section 9.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

9.13 Acknowledgements. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between Administrative Agent and Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower and the Lenders.

9.14 Releases of Guarantees and Liens.

(a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Administrative Agent is hereby irrevocably authorized by each Lender (without requirement of notice to or consent of any Lender except as expressly required by Section 9.1) to take any action requested by the Borrower having the effect of releasing any Collateral or guarantee obligations (i) to the extent necessary to permit consummation of any transaction not prohibited by any Loan Document or that has been consented to in accordance with Section 9.1 or (ii) under the circumstances described in paragraph (b) below.

(b) At such time as the Aggregate Principal Amount Outstanding and the other obligations under the Loan Documents shall have been paid in full, the Collateral shall be released from the Liens created by the Security Documents, and the Security Documents and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Loan Party under the Security Documents shall terminate, all without delivery of any instrument or performance of any act by any Person. At the request and expense of the Borrower following any such termination, the Administrative Agent shall promptly deliver to the appropriate Loan Party any Collateral held by the Administrative Agent and shall promptly execute and deliver to such Loan Party such documents as the Borrower shall reasonably request to evidence such termination.

9.15 **Confidentiality.** Each of the Administrative Agent and each Lender agrees to keep confidential all non-public information provided to it by any Loan Party, the Administrative Agent or any Lender pursuant to or in connection with this Agreement that is designated by the provider thereof as confidential; provided that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or any affiliate thereof, (b) subject to an agreement to comply with the provisions of this Section, to any actual or prospective Transferee, (c) to its employees, directors, agents, attorneys, accountants and other professional advisors or those of any of its affiliates, (d) upon the request or demand of any Governmental Authority, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) if requested or required to do so in connection with any litigation or similar proceeding, (g) that has been publicly disclosed, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, or (i) in connection with the exercise of any remedy hereunder or under any other Loan Document.

9.16 **Patriot Act.** Each Lender that is subject to the requirements of the Patriot Act and the Administrative Agent (on behalf of itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall, and shall cause each of its Subsidiaries to, provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by each Lender and the Administrative Agent to maintain compliance with the Patriot Act.

9.17 **WAIVERS OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.**

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

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ Curt L. Warnock

Name: Curt L. Warnock

Title: Senior Vice President

WILMINGTON TRUST COMPANY,
in its capacity as Administrative Agent

By: /s/ James A. Hanley

Name: James A. Hanley

Title: Senior Financial Services Officer

Signature Page for the Credit Agreement

ETON PARK FUND, L.P.,
by its investment manager Eton Park Capital
Management, L.P.

By: /s/ Marcy Engel

Name: Marcy Engel
Title: General Counsel

ETON PARK MASTER FUND, LTD.,
by its investment manager Eton Park Capital
Management, L.P.

By: /s/ Marcy Engel

Name: Marcy Engel
Title: General Counsel

FLAGG STREET PARTNERS LP,
by its general partner Flagg Street Capital LLC

By: /s/ Andrew Moss

Name: Andrew Moss
Title: Chief Operating Officer and General Counsel

FLAGG STREET PARTNERS QUALIFIED LP,
by its general partner Flagg Street Capital LLC

By: /s/ Andrew Moss

Name: Andrew Moss
Title: Chief Operating Officer and General Counsel

FLAGG STREET OFFSHORE L.P.,
by its general partner Flagg Street Capital LLC

By: /s/ Andrew Moss

Name: Andrew Moss
Title: Chief Operating Officer and General Counsel

RESTATED UNDERWRITING, CONTINUING INDEMNITY, AND SECURITY AGREEMENT

THIS RESTATED UNDERWRITING, CONTINUING INDEMNITY, AND SECURITY AGREEMENT ("this Agreement") entered into as of the 12th day of May, 2006, INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation, and certain of its Affiliates and Subsidiaries identified on Exhibit A, in their capacity as named Principal under any Bond (individually and collectively "Principal"); and INTEGRATED ELECTRICAL SERVICES, INC., a Delaware corporation, and certain of its Affiliates and Subsidiaries identified on Exhibit B (along with Principal, individually and collectively "Indemnitors") in favor of FEDERAL INSURANCE COMPANY, an Indiana corporation, its Affiliates and Subsidiaries and their respective co-sureties and reinsurers, and their respective successors and permitted assigns (individually and collectively "Surety"). All capitalized terms will have the meaning set out in Section 1.

WITNESSETH:

WHEREAS, Principal, operating through certain of its Affiliates and Subsidiaries, is engaged in the business, among other things, of providing electrical and communication services to the commercial, industrial, and residential service markets and in connection with this business may desire or be required from time to time to give certain bonds;

WHEREAS, Integrated Electrical Services, Inc. and certain of its Affiliates and Subsidiaries commenced the Bankruptcy Case on February 14, 2006, in the United States Bankruptcy Court, North District of Texas, Dallas Division, styled, *In Re: Integrated Electrical Services, Inc., Et Al.*, Jointly Administered Case Number 06-30602-BJH-11;

WHEREAS, Principal has assumed all Existing Bonded Contracts pursuant to Section 365 of the Bankruptcy Code, which assumption has been effected by the Interim Order and confirmed by the Final Order;

WHEREAS, a Plan of Reorganization was confirmed by an order of the Bankruptcy Court entered on April 28, 2006, in the Bankruptcy Case which Plan contemplates Principal obtaining bonds in connection with the performance of its business;

WHEREAS, the parties hereto previously entered into that certain Underwriting, Continuing Indemnity, and Security Agreement dated January 14, 2005, and that certain Amendment to Pledge Agreement and Underwriting, Continuing Indemnity, and Security Agreement dated January 17, 2006, and desire to restate said Agreement pursuant to terms and conditions of this Agreement;

WHEREAS, Indemnitors recognize that bonds may be a necessary and desirable adjunct to the business done and to be done by Principal that will directly benefit Indemnitors and desire to accommodate the financial, security, indemnity, exoneration, and other requirements of Surety as an inducement to Surety to become surety upon obligations of Principal, and have therefore

agreed to be bound by this Agreement and have agreed to exercise their best efforts to permit and require any Indemnitor to honor and perform all of the applicable terms of this Agreement and the other Surety Credit Documents;

WHEREAS, each of Indemnitors has determined that execution, delivery, and performance of this Agreement by Indemnitors will inure directly to the benefit of Indemnitors and is in the best interest of Indemnitors;

WHEREAS, upon the express condition that this Agreement be executed, Surety has executed or procured or will execute or procure the execution of the Bonds, and Surety may continue previously executed Bonds and may forbear cancellation of such Bonds in Surety's sole and absolute discretion but only to the extent provided for in such Bonds or permitted by law; and

WHEREAS, Surety has agreed to act as surety or procure surety bonds for Principal, subject to the understanding of the parties that Surety is under no obligation to act as surety for every bond of Principal, and that Principal is under no obligation to obtain bonds from Surety.

NOW, THEREFORE, in consideration of the mutual agreements set forth herein, the parties agree and bind ourselves, and our respective successors and assigns, jointly and severally, as follows:

1. Definitions. For the purposes of this Agreement, the following terms will have the meanings listed below:

"Accounts" means and includes all of Indemnitors' now owned or hereafter acquired accounts (as defined in the UCC) and (whether included in such definition) accounts receivable; and proceeds, including without limitation, all insurance proceeds, proceeds of any letter of credit on which any Indemnitor is a beneficiary, in each case solely to the extent such accounts, accounts receivable, and proceeds arise out of a Bonded Contract, including, but not limited to, Retainage, and all forms of obligations whatsoever owing to any Indemnitor under instruments and documents of title constituting the foregoing or proceeds thereof; and all rights, securities, and guarantees with respect to each of the foregoing.

"Affiliate" means, with respect to any Person, any other Person or group acting in concert with respect of such Person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under the common control with such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person or group of Persons, means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise. Each of Indemnitors is an Affiliate of each other of Indemnitors. None of Indemnitors is an Affiliate of Surety.

“Agreement” or “this Agreement” means this Restated Underwriting, Continuing Indemnity, and Security Agreement as it may be amended, modified or supplemented from time to time.

“Bank of America Credit Agreement” means that certain Loan and Security Agreement dated May 12, 2006, among Integrated Electrical Services, Inc., certain of its subsidiaries, the lenders named therein and Bank of America, N.A., as collateral and administrative agent, as it may be amended, modified or supplemented from time to time.

“Bankruptcy Case” means the bankruptcy cases commenced by Integrated Electrical Services, Inc., and certain of its Affiliates on February 14, 2006, in the Bankruptcy Court pursuant to the Bankruptcy Code.

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as now and hereafter in effect, or successor statute.

“Bankruptcy Court” means the United States District Court for the Northern District of Texas, Dallas Division, having jurisdiction over the Bankruptcy Case of Indemnitors, or such other court to which any such Bankruptcy Case may be transferred.

“Bonded Backlog” means at any given time, the current estimated Cost to Complete all Bonded Contracts (included, but not limited to, Bonded Contracts which any Indemnitor has sold or transferred (directly or indirectly) and for which unaffiliated third parties may now be primarily responsible). Surety will, in its sole and absolute discretion, determine the amount of Bonded Backlog based on the work in process schedules to be provided by Indemnitors and information developed independently by Surety.

“Bonded Contract” means any existing or future contract in respect of which any Bond is issued on behalf of any Principal.

“Bonded Contract Balances” means all payments made, or to be made, to or on behalf of any Principal pursuant to, arising out of, or relating to any Bonded Contract, including, without limitation, whether earned and unpaid or to be earned, Retainage, increases in contract amounts and payments made, or to be made, as a result of affirmative claims.

“Bonded Job Site” means the site where a Principal is to perform the Work related to a Bonded Contract.

“Bonds” means the Existing Bonds and any surety agreements, undertakings, or instruments of guarantee signed by Surety on behalf of any Principal, whether executed before or after the execution of this Agreement.

“Business Day” means any day excluding Saturday, Sunday, and any day which is a legal holiday under the laws of the State of New York or is a day on which banking institutions located in such state are authorized or required by law or other governmental action to close. Notwithstanding

the foregoing, the reference to New York in this definition will be replaced with a reference to Texas when determining the Effective Date.

“Collateral” means the Bonded Contracts and other collateral described in Section 6.

“Cost to Complete” means the actual and anticipated cost of materials, labor, and other items, including, but not limited to, back charges, allocated Overhead, and assessments or penalties for termination or late completion (including, but not limited to, liquidated damages) (but only to the extent such assessments or penalties are actually imposed) required to complete the Work required by any Bonded Contract, including, without limitation, anything for which Surety is or may become liable under the Bonds.

“Debt” means, as of any applicable date of determination and as to any Person, without duplication, all items of indebtedness, obligation, or liability of such Person, whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, joint or several, that would be classified and presented as a liability on a balance sheet prepared in accordance with GAAP.

“Default Rate” means on each day of its determination the prime rate reflected in the Money Rates section of The Wall Street Journal plus two percent (2%).

“Effective Date” means the Business Day on which all conditions to the consummation of the Plan of Reorganization as set forth in Article 9.02 of the Plan of Reorganization have been satisfied or waived.

“Equipment” means all of Indemnitor’s now owned or hereafter acquired right, title, and interest with respect to equipment (as defined in the UCC) and (whether or not included in such definition) all other personal property in each case which is delivered to, prefabricated for, or specifically ordered for a Bonded Job site, whether or not the same will be deemed to be affixed to, arise out of, or relate to any real property, together with all accessions thereto.

“Event of Default” means any one or more of the following:

(a) Principal, Indemnitors, or any of them have failed or refused in a material respect to perform any obligation to Surety; provided, however, the foregoing will not be deemed an Event of Default hereunder if such failure or refusal is curable and such cure is effected within ten (10) days following the earlier of (i) receipt by Indemnitors of notice from Surety of any such failure or refusal, or (ii) knowledge by Indemnitors of the occurrence of any such failure or refusal; or

(b) any representation or warranty made or deemed made by any Indemnitor in this Agreement or any other Surety Credit Document, or which is contained in any certificate, document, opinion, or financial or other statement furnished under or in connection with any Surety Credit Document, proves to have been incorrect in a material respect on or as of the date made or deemed made; provided, however, Principal will have the right to cure an Event of Default under this item (b) by delivering to Surety cash in an amount designated by Surety, in its

sole and absolute discretion, within ten (10) days of written demand having been made by Surety for such delivery. In the event that Surety determines it is obligated to discharge any performance bond claim before making such demand (or the expiration of such ten (10) day period), said action will not operate as a defense to Surety's rights under this Agreement; provided, however, that such action by Surety will not be an Event of Default under this Agreement if Indemnitors fully indemnify Surety within ten (10) days of receipt of any demand by Surety for indemnification; or

(c) an Oblige under a Bonded Contract has declared any Principal to be in default under such Bonded Contract and such Principal has failed to cure such default within any cure period provided in such Bonded Contract and as a result of such default Oblige has made a claim under a Bond, or any Principal has acknowledged its default under any Bonded Contract irrespective of whether such Principal is actually in default of the Bonded Contract. It will be no defense to the enforcement of this Agreement by Surety that any Principal asserts that it is not in default under the Bonded Contract; or

(d) Surety incurs any Surety Loss (excluding items payable pursuant to paragraph (b) of the definition of Surety Loss and other attorneys fees and similar fees and professional fees incurred in the ordinary course of business that are promptly reimbursed to Surety by Indemnitors); provided, however, Principal will have the right to cure an Event of Default under this item (d) by delivering to Surety cash in an amount designated by Surety, in its sole and absolute discretion, within ten (10) days of written demand having been made by Surety for such delivery; or

(e) if Surety is required or deems it necessary to establish a Reserve in any amount to cover any anticipated or actual loss on any Bond; provided, however, Principal and Indemnitors will have the right to cure any such Event of Default under this item (e) by delivering to Surety cash in an amount equal to such Reserve so established within ten (10) days of such written notice having been made by Surety; or

(f) any Principal has failed or refused to pay when due or is unable to pay when due claims, bills, or other Debt incurred in, or in connection with, the performance of any Bonded Contract, and Principal has failed to deliver to Surety an amount sufficient to discharge any claim or demand made against Surety with respect to such Bond within ten (10) days of written demand having been made on Indemnitors by Surety in respect of such claim or demand. In the event that Surety determines it is obligated to discharge any Bond claim resulting from such failure or refusal to pay prior to any cure by Principal or Indemnitor before the foregoing demand by Surety is made on Indemnitors, said action will not operate as a defense against any of Surety's rights under this Agreement; provided, however, that such action by Surety will not result in an Event of Default under this Agreement if Indemnitors fully indemnify Surety within ten (10) days of receipt of any demand by Surety for indemnification in respect of all amounts incurred in respect of such action; or

(g) Principal defaults under any banking facility or other credit agreement to which Principal is a party in respect of any Debt having an aggregate principal amount of more than Fifteen Million Dollars (\$15,000,000) which results in (i) acceleration of the Debt thereunder, or

(ii) the foreclosure or notice of foreclosure by the lenders thereunder or applicable agent on behalf of such lenders of the collateral that secures such Debt thereunder; or

(h) Principal defaults under any banking facility or other credit agreement to which Principal is a party in respect of any Debt having an aggregate principal amount of more than Fifteen Million Dollars (\$15,000,000) which results in such lenders materially limiting the availability of the credit facility for the business operations of Principal; provided, however, the foregoing will not be deemed an Event of Default hereunder if such event is cured within thirty (30) days of the occurrence of said event; or

(i) the commencement after the Effective Date of proceedings in bankruptcy, or for reorganization of any Principal or Indemnitors, or for the readjustment of Debt of any Principal or Indemnitors, in each case under the Bankruptcy Code, or any part thereof, or under any other laws, whether state or federal, for the relief of debtors, now or hereafter existing, by or against any Principal or Indemnitors and any such proceedings commenced against any Principal or Indemnitors are not dismissed, discharged, or stayed within sixty (60) days of filing; or

(j) the appointment of a receiver or trustee for any Principal or Indemnitors after the Effective Date, or for any substantial part of their assets, or the institution by a Person other than any Principal or any Indemnitor or any Person acting on their behalf of any proceedings for the dissolution or the full or partial liquidation of any Principal or Indemnitors after the Effective Date and such proceedings are not dismissed, discharged, or stayed within sixty (60) days of filing, or any of Principal or Indemnitors will discontinue their business or materially change the nature of their business; or

(k) any of Principal or Indemnitors allow a judgment creditor to obtain possession of any of the Collateral by any means, including, but without limitation, levy, distraint, replevin, or self-help, and (i) such possession continues for five (5) days after written notice thereof to Principal and Indemnitors from Surety, or (ii) Principal will have failed to cure an Event of Default under this item (d) by delivering to Surety cash in an amount designated by Surety, in its sole and absolute discretion, within ten (10) days of written demand having been made by Surety for such delivery; or

(l) failure to pay any Bond premiums due and payable to Surety; or

(m) any Indemnitor fails to comply with the terms of the Plan of Reorganization in any material respect after the Effective Date.

“Existing Bonds” means any Bonds issued prior to May 31, 2006.

“Existing Letters of Credit” means and includes that certain Irrevocable Letter of Credit No. ASL-3014854-140INE issued by Bank of America, N.A. on August 17, 2005, in the face amount of Six Million Three Hundred Ninety Eight Thousand Seven Hundred Forty Eight Dollars (\$6,398,748); that certain Irrevocable Letter of Credit No. ASL-3014832-140INE issued by Bank of America, N.A. on August 8, 2005, in the face amount of Five Million Dollars (\$5,000,000); that certain Irrevocable Letter of Credit No. ASL-7420346-140INE issued by Bank

of America, N.A. on January 20, 2006, in the face amount of Three Million Five Hundred Ninety-Nine Thousand Two Hundred Seven 50/100 Dollars (\$3,599,207.50); that certain Irrevocable Letter of Credit No. ASL-7420422-140INE issued by Bank of America, N.A. on February 16, 2006, in the face amount of One Million Five Hundred Thousand Dollars (\$1,500,000); that certain Irrevocable Letter of Credit No. ASL-7420438-140INE issued by Bank of America, N.A. on March 1, 2006, in the face amount of One Million Five Hundred Thousand Dollars (\$1,500,000); that certain Irrevocable Letter of Credit No. ASL-740641-140INE— issued by Bank of American, N.A. on April 7, 2006, in the face amount of One Million Five Hundred Thousand Dollars (\$1,500,000); and that certain Irrevocable Letter of Credit No. ASL-7420660-140INE issued by Bank of America, N.A. on May 8, 2006, in the face amount of One Million Five Hundred Thousand Dollars (\$1,500,000).

“Existing Pledged Collateral” means that certain cash collateral in the aggregate original principal amount of Eighteen Million One Hundred Thirteen Thousand Seventy-Eight 50/100 Dollars (\$18,113,078.50) (and all interest, proceeds, and substitutions therefore) delivered to Surety pursuant to that certain Interim Pledge Agreement dated September 9, 2004, Integrated Electrical Services, Inc., as Pledgor, in favor of Surety, as modified by First Amendment to Interim Pledge Agreement dated October 6, 2004, as further amended by Second Amendment to Interim Pledge Agreement dated October 12, 2004, as further amended by Third Amendment to Interim Pledge Agreement dated November 3, 2004, and as restated by that certain Restated Pledge Agreement dated January 14, 2005, by Integrated Electrical Services, Inc. in favor of Surety, and as amended by that Amendment to Pledge Agreement and Underwriting, Continuing Indemnity and Security Agreement dated January 17, 2006.

“Final Order” means the Final Order (A) Granting Authority to Enter into a Post-Petition Financing Agreement with Federal Insurance Company and Approving Debtors’ Assumption of Surety Contracts; (B) allowing Debtors’ Use of Federal Insurance Company’s Cash Collateral and Granting of Adequate Protection; and (C) Lifting the Automatic Stay as to Federal Insurance Company entered by the Bankruptcy Court on March 10, 2006.

“GAAP” means generally accepted accounting principles in the United States of America, as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, consistently applied.

“Goochland Letter of Credit” means any Irrevocable Letter of Credit issued in favor of Surety pursuant to Section 3.

“Goochland Project” that certain construction project that is the subject of Agreement dated December 12, 2003, by and between the County of Goochland, Virginia, as the owner and Bryant Electric, as the contractor, that is the subject of Bond No. 81955895 in the original penal sum of Nine Million Sixty Five Thousand Eight Hundred Forty Six 51/100 Dollars (\$9,065,846.51).

“Indebtedness” means, without duplication, any and all Surety Loss, and the payment and performance of all other obligations and undertakings now or hereafter owing to Surety with

respect to the Bonds and/or under the Surety Credit Documents, as same may now or hereafter be modified, replaced, extended, or renewed, in accordance with their terms.

“Indemnitors” means Integrated Electrical Services, Inc., a Delaware corporation, certain of its Affiliates and Subsidiaries listed on Exhibit B, any Affiliate or Subsidiary that is a named Principal on any Bond, and any new Indemnitor added to this Agreement by rider as provided in Section 52, and all of their successors and assigns.

“Indemnity Agreement” means and includes that certain General Agreement of Indemnity dated January 9, 1998, executed by Integrated Electrical Services, Inc. on its behalf and on behalf of any of its subsidiaries or on behalf of any subsidiary of a subsidiary or successive subsidiaries, direct or indirect, now existing or hereafter created, in favor of Surety, and that certain General Agreement of Indemnity dated September 9, 2004, executed by Integrated Electrical Services, Inc., Anderson & Wood Construction Co., Inc., Kayton Electric, Inc., Bryant Electric Company, Inc., Pan American Electric, Inc., DKD Electric Company, Inc., Mills Electric LP d/b/a Mills Electrical Contractors, H.R. Allen, Inc., and T&H Electrical Corporation in favor of Surety.

“Intercreditor Agreement” means that certain Intercreditor Agreement dated May 12, 2006, between Surety and Bank of America, N.A., as it may be amended, modified, or supplemented from time to time.

“Interim Order” means the Interim Order (A) Granting Authority to Enter into a Post-Petition Financing Agreement with Federal Insurance Company and Approving Debtor’s Assumption of Surety Contracts; (B) Allowing Debtor’s Use of Federal Insurance Company’s Cash Collateral and Granting of Adequate Protection Pending Final Hearing; (C) Lifting Automatic Stay as to Federal Insurance Company; and (D) Scheduling a Final Hearing Pursuant to Rule 4001(c) of the Federal Rules of Civil Procedure entered by the Bankruptcy Court on February 15, 2006.

“Inventory” means and includes all of Indemnitors’ now owned and hereafter acquired inventory, including, without limitation, goods, merchandise, and other personal property furnished under any contract of service, Bonded Contract, or intended for sale or lease, all raw materials, work in process, finished goods and materials, and supplies of any kind, nature, or description in each case which is delivered to, prefabricated for, or specifically ordered for a Bonded Job Site.

“Licensed Property” means all proprietary systems, software, or any other assets of a similar nature which are employed by Principal in connection with any and all contractual work referred to in the Bonded Contracts and/or the Bonds; any and all inventions, designs, patents, patent applications, trademarks, trademark applications, trade names, trade secrets, registrations, copyrights, licenses, franchises, customer lists, and any associated goodwill that is associated with or required for the completion of any Bonded Contract and/or the fulfillment of any of Surety’s obligations under the Bonds.

“Lien” means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement to assure payment of any debt, encumbrance, lien (statutory or other), or preference, priority, or other security agreement, or preferential arrangement to assure payment of any debt, charge, or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the UCC or comparable law of any jurisdiction to evidencing any of the foregoing).

“Material Adverse Effect” means, relative to any occurrence of whatever nature (including the adverse determination in any litigation, arbitration, or governmental investigation or proceeding), (a) a material adverse effect on the financial condition, business, or business operations of Principal and Indemnitors taken as a whole, or (b) a material impairment of the collective ability of Principal and Indemnitors taken as a whole to satisfy their respective obligations to Surety under the Surety Credit Documents, or (c) a material adverse effect upon the enforceability against Principal and Indemnitors of Surety’s security interest in the Collateral.

“Obligee” means any named party or parties appearing on any Bond(s) in whose favor the Bond(s) are issued, or such parties’ successors and permitted assigns.

“Overhead” means the general operating and administrative expenses of any Indemnitor, including, but not limited to, the cost of rent, utilities, taxes, governmental charges, and all other expenses of any Indemnitor not allocated to a specific Bonded Contract.

“Permitted Liens” means:

- (a) Liens for taxes, assessments, or governmental charges not yet past due or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP;
- (b) mechanics’, workmen’s, materialmen’s and repairmen’s Liens or other Liens arising by operation of law in the ordinary course of business, or pursuant to customary reservations or retentions of title arising in the ordinary course of business, of any Indemnitor securing obligations that are not past due, or if past due contested in good faith by appropriate proceedings and that are unfiled and no other action has been taken to enforce the same;
- (c) any Lien granted on their assets by Indemnitors to Surety to secure the payment of Surety Loss;
- (d) Liens in connection with workers’ compensation, unemployment insurance or other social security, old age pension or public liability obligations not yet due or which are being contested in good faith by appropriate proceedings and for which adequate reserves are maintained in accordance with GAAP;

(e) statutory Liens of landlords, and Liens of carriers, warehousemen or suppliers, or other similar possessory Liens arising in the ordinary course of business; provided, that, the holder of such possessory Lien does not exercise any foreclosure right to enforce its Lien;

(f) deposits securing, or in lieu of, any surety, appeal, or custom bonds in proceedings to which any Indemnitor is a party, bids, trade contracts and leases, statutory obligations, performance bonds and other obligations of a like nature, and Liens securing judgments for the payment of money (or appeal or other surety bonds relating to such judgments);

(g) Liens existing on the date hereof and any renewals and extensions thereof which Liens are described on the attached Exhibit C and any replacement, refinancing, renewal, or extension of any such Lien in the same property theretofore subject arising out of the extension, renewal, replacement, or refinancing of the Debt secured thereby;

(h) common law rights of offset and contractual rights of offset arising in the ordinary course of business;

(i) any common law or contractual security interest of a surety in the actual proceeds of a project subject to the underlying bond provided by such surety;

(j) any other Liens pursuant to any Surety Credit Document;

(k) normal and customary rights of setoff upon deposits of cash in favor of banks or other depository institutions;

(l) Liens of a collection bank arising under Section 4-210 of the UCC on items in the course of collection;

(m) Liens of sellers of goods to Principal or any Indemnitor arising under Article 2 of the UCC or similar provisions of applicable law in the ordinary course of business, covering only the goods sold and securing only the unpaid purchase price for such goods and related expenses.

(n) purchase money security interest Liens arising under Article 9 of the UCC or similar provisions of applicable law in the ordinary course of business, covering only the goods purchased and securing only the unpaid purchase price for such goods and related expenses, which are not past due;

(o) any interest of title of a lessor under, and Liens arising from UCC financing statements (or equivalent filings, registrations or agreements in foreign jurisdictions) relating to, leases or short term rentals not prohibited by this Agreement; and

(p) leases or subleases granted to others not interfering in any material respect with the business of Principal or any Indemnitor.

“Person” means any individual or entity, whether a trustee, corporation, partnership, limited liability company, joint stock company, unincorporated organization, business association or firm, joint venture, a government or any agent or instrumentality or political subdivision thereof.

“Principal” means Integrated Electrical Services, Inc., a Delaware corporation, certain of its Affiliates and Subsidiaries listed on Exhibit A and any other Affiliates and Subsidiaries of Integrated Electrical Services, Inc. for whom Surety executes Bonds, in each case in their respective capacity as a named principal under any Bond, and any new Principal added to this Agreement by rider as provided in Section 52, and any joint ventures in which one or more of them are involved for which any Bond is issued.

“Records” means correspondence, memoranda, tapes, books, discs, papers, magnetic storage, and other documents or information of any type, whether expressed in ordinary or machine language relating to any Bonded Contract or Collateral.

“Reserve” means a sum of money that may be set aside by Surety to pay its present and future liabilities under Bonds.

“Retainage” means contract proceeds periodically withheld by an Oblige to provide further security for Principal’s performance of a Bonded Contract, and as such are payable to Principal only upon a clear demonstration of compliance with the terms of the Bonded Contract.

“Subsidiaries” means, with respect to any Person, any corporation, limited liability company, partnership, or other entity wherein such Person owns or acquires, directly or indirectly, more than fifty percent (50%) of the issued and outstanding voting stock, voting securities, or other equity interest of such corporation, partnership, or other entity, or any other corporation, partnership or other entity the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by any such Person.

“Surety” means Federal Insurance Company, an Indiana corporation, its Affiliates and Subsidiaries and any other companies writing Bonds for which this Agreement is consideration (and other companies from whom Surety procures Bonds for Principal), and their co-sureties and reinsurers, and their respective successors and permitted assigns.

“Surety Credit Documents” means the following: (i) the Bonds; (ii) the Indemnity Agreement; (iii) this Agreement; (iv) UCC Financing Statements listing any of Indemnitors as debtor and Surety as secured party; (v) any intercreditor agreement by and between Surety and any banking institution; (vi) Interim Pledge Agreement dated September 9, 2004, Integrated Electrical Services, Inc., as Pledgor, in favor of Surety, as modified by First Amendment to Interim Pledge Agreement dated October 6, 2004, as further modified by Second Amendment to Interim Pledge Agreement dated October 12, 2004, as further modified by Third Amendment to Interim Pledge Agreement dated November 3, 2004, as restated by that certain Restated Pledge Agreement dated January 14, 2005, by Integrated Electrical Services, Inc. in favor of Surety, as amended by that Amendment to Pledge Agreement and Underwriting, Continuing Indemnity and Security Agreement dated January 17, 2006; (vii) the Interim Order; (viii) the Final Order; and

(ix) all amendments, modifications, extensions, additions, substitutions, or other documents hereafter executed or delivered by any of Indemnitors, which relate to any of the foregoing documents.

“Surety Loss” means:

(a) all damages, costs, reasonable attorney fees, and liabilities (including all expenses incurred in connection therewith) which Surety may sustain or incur by reason of executing or procuring the execution of any Bonds, or any other bonds, which may be already or hereafter executed on behalf of any Principal, or renewal or continuation thereof; or which may be sustained or incurred by reason of making any investigation on account thereof, prosecuting or defending any action in connection therewith, obtaining a release, recovering, or attempting to recover any salvage in connection therewith or enforcing by litigation or otherwise any of the provisions of this Agreement, including, but not limited to:

(1) money judgments, amounts paid in settlement or compromise, the full amount of reasonable attorney and other professional fees incurred or paid by Surety, including without limitation allocated costs of in-house counsel, accountants, and engineers, court costs and fees, and interest at the Default Rate on all sums due it from the date of Surety’s demand for said sums, whether interest has been awarded by a court;

(2) any loss which Surety may sustain or incur as a result of any Bonded Contract or any Bonds (including any loss incurred as a result of the forfeiture of any bid Bond), whether that loss results from any activity of any Principal individually or as part of a joint venture, partnership, or other entity which has been or may be formed;

(3) any loss which Surety may sustain or incur as a result of any actions taken by Surety upon information provided by any Indemnitor with respect to the issuance of any Bonds;

(4) any Bond premiums due Surety;

(5) any amounts that have been paid to Surety to be applied to Surety Loss that a court of competent jurisdiction determines constitute “preferences,” within the meaning of Section 547 of the Bankruptcy Code, and by reason thereof Surety is required to disgorge said amounts paid;

(b) legal, accounting, consulting, and related fees reasonably incurred in connection with claims made under any particular Bond, including but not limited to, any claims made under any Bond related to the Goochland Project; and

(c) legal, accounting, consulting, and related fees and expenses reasonably incurred after April 30, 2006, in connection with the Bonds, the Surety Credit Documents, and/or any application or submission by any of Indemnitors for the issuance of any Bond or renewal of any existing Bond, whether or not Surety decides to issue said Bond. The foregoing exclusion of certain professional fees incurred on or before April 30, 2006, is conditioned on Surety’s receipt

of the facility fee required under with Section 2. Notwithstanding the foregoing, Indemnitors will be required to reimburse Surety for one hundred percent (100%) of any filing fees and recording taxes incurred to perfect and continue Surety's security interest in the Collateral regardless of when those fees are incurred.

"UCC" means the Uniform Commercial Code as in effect on the date hereof in Texas, as it may be amended from time-to-time provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of a security interest in any Collateral is governed by any state other than Texas, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

"Work" means the specialized electrical and communication services required of any Principal by any Bonded Contract, whether completed or partially completed, of such Principal, and includes all other labor, materials, equipment, and services provided or to be provided by Principal to fulfill such Principal or Indemnitor's obligations pursuant to such Bonded Contract.

Any collective defined term and any defined term used in the plural will be taken to encompass individually and collectively all members of the relevant class. Any defined term used in the singular preceded by "any" will be taken to indicate any number of the members of the relevant class. Any defined term used in the singular and preceded by the word "each" will indicate all members of the relevant class, individually.

2. Due Diligence Items Required to be Delivered by Indemnitors. Indemnitors will deliver to Surety each of the following, in form and substance satisfactory to Surety and its counsel:

(a) Favorable opinion of counsel to Principal and Indemnitors in form acceptable to Surety and its counsel, opining as to the validity and enforceability of the documents entered into between and among Surety and Indemnitors and opining to the perfection of the security interests of Surety in the Collateral. Said enforceability opinion will include an opinion that Integrated Electrical Services, Inc. is duly formed and that Indemnitors are validly existing, the execution and delivery of the documents, the fulfillment of the respective terms and conditions thereof, and the consummation of the respective transactions contemplated thereby will not violate any provisions of applicable law or any applicable order or regulation of any court or public governmental agency, and will not conflict with or constitute a breach a default under the charter of incorporation, bylaws, or other governing documents of any of Indemnitors, as amended, or any material agreement, indenture, or other Debt instrument to which any of Indemnitors are a party or by which any of Indemnitors are bound, or any law, ordinance, administrative regulation, or decree of court, that is applicable to any of Indemnitors;

(b) an officer's certificate of each of Indemnitors certifying appropriate resolutions authorizing the execution, delivery, and performance of the applicable Surety Credit Documents, certifying that such resolutions have been approved in accordance with each of Indemnitors' governing documents, and certifying incumbencies and true signatures of the officers so authorized;

- (c) evidence of the good standing of each of Indemnitors in the jurisdiction in which such Indemnitor is formed;
- (d) evidence that Indemnitors have entered into the Bank of America Credit Agreement by delivering an executed copy of such credit agreement to Surety; and
- (e) such other information and documents as may reasonably be required by Surety.

Contemporaneously with the execution of this Agreement, Principal will pay Surety a facility fee in the amount of One Million Dollars (\$1,000,000). The delivery of said facility fee will not reduce Surety Loss (other than the exclusion of professional fees through April 30, 2006, provided for in subparagraph (c) of the definition of Surety Loss), or otherwise affect Surety's rights under the Indemnity Agreement or any other of the Surety Credit Documents. In addition, contemporaneously with the execution of this Agreement, Indemnitors will remit to Surety any and all unpaid bond premiums.

3. Bonds; Conditions Precedent to all Bonds. Subject to the terms of this Agreement, and so long as no Event of Default has occurred and is continuing, Surety is willing to consider the extension of additional surety credit for the purposes set out in this Agreement. Surety reserves the right to decline to execute any and all bonds, in Surety's sole and absolute discretion, and if Surety executes any Bond, Surety will not be obligated to expand or renew any such Bond or issue a final bond with respect to any bid Bond. No claim will be made, nor any cause of action asserted against Surety as a consequence of its failure to execute any bond(s). Whether to approve or disapprove any application of any Principal for surety credit and issue bonds in response thereto will be determined on a case by case basis and is within Surety's sole and absolute discretion. Without limiting the generality of the foregoing, Indemnitors specifically acknowledge and confirm Surety's right to decline execution of any bond, or all bonds, as set forth in this Agreement.

Without limiting the generality of the foregoing, the determination of Surety in its sole and absolute discretion, to issue any Bond will be subject to the further conditions precedent that on the date of such issuance each of the following conditions will be satisfied, in the sole and absolute discretion of Surety:

- (a) The following statements will be true and, by its request for the issuance of such Bond, Indemnitors will be deemed to have certified to Surety that as of the date of such issuance:

- (1) the representations and warranties contained in this Agreement and the Surety Credit Documents are correct in all material respects on and as of the date of such issuance as though made on and as of such date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date; and

- (2) no Event of Default has occurred and is continuing, or would result from the issuance of such Bond.

(b) Surety will have received such other approvals, opinions, or documents as Surety may reasonably request.

(c) Indemnitors will have and maintain sufficient unrestricted liquidity to support their operations in the ordinary course, the adequacy of which will be determined from time to time by Surety in its sole and absolute discretion.

(d) Any banking or other financial institutions that have any security interest in the assets of Indemnitors will have entered into an intercreditor agreement with Surety which will: (i) confirm that such lender will not have a security interest in the Collateral; (ii) limit the rights of a such lender to challenge Surety's Lien; and (iii) provide an acknowledgement from the lenders of Surety's equitable subrogation rights. In addition, Surety will acknowledge that, absent an Event of Default, pursuant to Indemnitors cash management system cash proceeds of the Bonded Contracts may be co-mingled with the proceeds of other accounts receivable on deposit and in lock box accounts in which such lender may have a security interest or other rights and that Surety will not have any security interest in or to such accounts and/or proceeds of Bonded Contracts that from time to time have been are deposited into such accounts in which such lender may have a security interest (the foregoing will not be deemed a waiver of Surety's rights under this Agreement to require Indemnitors to segregate proceeds of Bonded Contracts and proceeds of Collateral following the occurrence of an Event of Default).

(e) Any request for a Bond will contemplate any of Indemnitors (exclusive of Bryant Electric Company, Inc., Daniel Electrical Contractors, Inc., Mark Henderson Incorporated, Mills Electric L.P., Pan American Electric, Inc., Pan American Electric Company, Inc., Thomas Popp & Company, and Valentine Electrical, Inc.) being named as the principal.

(f) Surety will be the holder of a first priority security interest in the Collateral subject only to Permitted Liens.

(g) Principal will notify Surety of any additive change order that results in a corresponding increase in the penal limit of any Existing Bond. Surety will treat any such increase in the penal limit of any Existing Bond as an issuance under the terms of the surety credit facility established in this Agreement. Indemnitors will remit to Surety any additional bond premiums due as a result of the increase in the penal sum of any Existing Bond.

(h) From and after June 1, 2006, the total aggregate penal amount of Bonds to be issued by Surety in any calendar month will not exceed Ten Million Dollars (\$10,000,000); provided, however, in the event Indemnitors do not deliver the Gochland Letter of Credit to Surety as required under Section 5, the foregoing Ten Million Dollars (\$10,000,000) limit will automatically be reduced to Eight Million Dollars (\$8,000,000). For purposes of determining the total aggregate penal amount of Bonds issued in any calendar month, the following penal amounts of the Bonds will be included (without duplication):

(i) the aggregate penal amount of any bid Bonds issued during such calendar month; (ii) in the event Surety issues a written consent during such calendar month with respect to any bid Bonds, the full aggregate penal amount of the resulting Bonds; (iii) the aggregate penal amount of all renewals of any Bonds issued during such calendar

month; (iv) the aggregate penal amount of all other Bonds issued during such calendar month; plus (v) any increase during such month in the penal sum of any Existing Bond.

(i) From and after June 1, 2006, the total aggregate penal amount of the Bonds (excluding the Existing Bonds other than any increases in the penal sum of any Existing Bond) issued by Surety will not exceed Seventy Million Dollars (\$70,000,000). For purposes of determining the total aggregate penal amount of the foregoing line of surety credit that has been used by Principal, the following penal amounts of the Bonds will be included (without duplication): (i) the aggregate penal amount of any bid Bonds (excluding the Existing Bonds) issued; (ii) in the event Surety issues a written consent with respect to any bid Bonds, the full aggregate penal amount of the resulting Bonds (excluding the Existing Bonds); (iii) the aggregate penal amount of all renewals of any Bonds; (iv) the aggregate penal amount of all other Bonds (excluding the Existing Bonds); plus (v) any increase in the penal sum of any Existing Bond.

(j) In the event any of Indemnitors request that Surety issue a low penalty Bond (a Bond in a penal sum that is less than the original contract amount) and Surety agrees to issue such low penalty Bond, Indemnitors will be required to deliver to Surety cash collateral in an amount equal to one hundred percent (100%) of the penal sum of such low penalty Bond.

(k) Any request for a bond under this facility will not be made prior to the last to occur of the Effective Date and May 31, 2006.

(l) No bonds will be issued under this facility after December 31, 2006.

(m) The Bonded Backlog will not exceed Eighty Million Dollars (\$80,000,000) at any time.

4. Indemnity; Exoneration; Release of Indemnitor. Integrated Electrical Services, Inc. has full right and authority to execute any and all current or future documents and/or amendments on behalf of any Principals and Indemnitors without requiring the separate signature of any such Principal and Indemnitors. Although execution will not be necessary to bind any such Affiliate or Subsidiary or other such Person as an Indemnitor hereunder, at the request of Surety, Indemnitors will cause any such Affiliate or Subsidiary or other such Person to execute this Agreement. Said Affiliates and Subsidiaries and such other Person will be deemed to be an Indemnitor hereunder as though they were original signatories hereto. Indemnitors agree to indemnify, and keep indemnified, and hold and save harmless Surety against all Surety Loss. The duty of Indemnitors to indemnify Surety is a continuing duty, separate from the duty to exonerate, and survives any payments made in exoneration of Surety. Amounts due Surety (together with interest at the Default Rate) will be payable upon written demand.

Indemnitors recognize and acknowledge the common law right of Surety to be exonerated by Indemnitors. Upon a Surety Loss, in the event Indemnitors fail or refuse to exonerate Surety upon written demand, all Indemnitors agree, upon demand by Surety, to exonerate Surety from Surety Loss, by satisfying Indemnitors' obligations under the Bonded Contracts and obtaining either a withdrawal of all claims against Surety under the Bonds or a general release.

Principal will pay Surety's reasonable legal, accounting, consulting, and related fees reasonably incurred in connection with claims made under any particular Bond, including but not limited to, any claims made under any Bond related to the Goochland Project and Principal will pay Surety's reasonable legal, accounting, consulting and related fees and expenses reasonably incurred after April 30, 2006, in connection with the Bonds, the Surety Credit Documents, and/or any application or submission by any of Indemnitors for the issuance of any Bond or renewal of any existing Bond, whether or not Surety decides to issue said Bond. Notwithstanding the foregoing, Indemnitors will be required to reimburse Surety for one hundred percent (100%) of any filing fees and recording taxes incurred and required to perfect and continue Surety's security interest in the Collateral regardless of when those fees are incurred.

In order to facilitate the sale of the equity of any Principal or the Collateral (other than the transfer of Inventory or Equipment that is required pursuant to the terms of any Bonded Contract to be transferred to any Oblige on any Bond (or any assignee of such Oblige or any other owner, or assignee of any owner, of the Work) upon completion or termination of the Work in the ordinary course of business, as to which no release is necessary) of any Principal and Indemnitor (exclusive of Integrated Electrical Services, Inc.): (i) in the event the sale is of the equity or of any such Collateral of any Indemnitor that is not also a Principal under any outstanding Bonds and provided, that, the sales proceeds are remitted to and used in the ordinary course of business of the continuing Indemnitors, then Surety will upon request of any such Indemnitor (y) in the event the sale is of the equity interest, release such Indemnitor from its guaranty and other obligations (including the pledge of its assets as collateral) of any such Surety; and (z) in the event the sale is of Collateral, release such Collateral as collateral; and (ii) in the event the sale is of the equity or of any Collateral (other than the transfer of Inventory or Equipment that is required pursuant to the terms of any Bonded Contract to be transferred to any Oblige on any Bond (or any assignee of such Oblige of any other owner, or assignee of any owner, of the Work) upon completion or termination of the Work in the ordinary course of business, as to which no release is necessary) of any Principal under any outstanding Bonds and provided, that, the sales proceeds are remitted to and used in the ordinary course of business of the continuing Indemnitors, then Surety will upon request of any such Principal (y) in the event the sale is of equity interest, release such Principal from its guaranty and other obligations (including the pledge of its assets as collateral) with respect to the Bonds issued by Surety for the other Principals and Indemnitors; and (z) in the event the sale is of any such Collateral release such Collateral as collateral with respect to Bonds issued by Surety for the other Principals and Indemnitors; provided, that, in each of (y) and (z) (a) such Principal continues as an Indemnitor with respect to all Bonds issued on behalf of such Principal and Surety will retain all Collateral of such Principal to secure all Surety Loss and other obligations on such Bonds; (b) Surety is provided with the indemnity of a Person(s), acceptable to Surety in its sole and absolute discretion, with respect to all Bonds issued on behalf of such Principal and such new indemnitor(s) executes an indemnity agreement in favor of Surety, in a form that is acceptable to Surety, in its sole and absolute discretion; and (c) all Bonds other than payment and performance Bonds are replaced within ninety (90) days of the sale. Notwithstanding the foregoing, the provisions of this paragraph will not require Surety to release or return: (w) the Existing Letters of Credit; (x) the Existing Pledged Collateral; (y) any Proceeds of Collateral that are required to be delivered to Surety or to any separate account following an Event of Default; and (z) any cash delivered to Surety pursuant to the terms of this Agreement.

5. Security Interest; Obligation Secured. To secure payment or other performance of any and all Surety Loss (including, but not limited to, any Surety Loss incurred in connection with the Goochland Project), and the payment and performance of all other obligations and undertakings now or hereafter owing to Surety with respect to the Bonds and/or under the Surety Credit Documents, as same may now or hereafter be modified, replaced, extended, or renewed, Indemnitors have granted and hereby grant to Surety a perfected first priority (subject to Permitted Liens) security interest in the Collateral. The security interest created herein will attach without the execution or delivery to Surety of any instruments, documents, assignments, or other agreements of transfer, and in the event any such instruments, documents, or other agreements of transfer are or will be delivered to Surety, the same are and will be in furtherance of and in addition to the security interest created by virtue of this Agreement. As additional security for any and all Surety Loss (including, but not limited to, any Surety Loss incurred in connection with the Goochland Project), Indemnitors have caused to be delivered to Surety and named Surety as the beneficiary of the Existing Letters of Credit, and have pledged to Surety the Existing Pledged Collateral. Pursuant to the Interim Order, the Final Order, and the Plan of Reorganization, the first priority lien and security interest of Surety in the Existing Pledged Collateral was confirmed and Indemnitors assumed, and Indemnitors hereby confirm and acknowledge, all of their obligations to Surety under the Pledge Agreements referred to in item (vi) of the definition of Surety Credit Documents.

In the event Surety is named as a party in any lawsuit, arbitration, or other proceeding with respect to the Goochland Project or any Obligor named in the Bonds issued by Surety in connection with the Goochland Project declares a default, then, Indemnitors will deliver to Surety the Goochland Letter of Credit to secure any Surety Loss that may be incurred in connection with the Goochland Project. The Goochland Letter of Credit will be delivered to Surety within three (3) Business Days of notice by Surety to Indemnitors that they are required to deliver the Goochland Letter of Credit, or within three (3) Business Days of any Indemnitor's actual knowledge that it is required to deliver the Goochland Letter of Credit to Surety, whichever first occurs. The Goochland Letter of Credit will be from a financial institution acceptable to Surety and in a form acceptable to Surety, all as determined in Surety's sole and absolute discretion. The Goochland Letter of Credit will be returned upon the complete discharge, release, and termination without Surety Loss of the Bonds issued by Surety in connection with the Goochland Project. The Goochland Letter of Credit will secure only the obligation to reimburse Surety for Surety Loss in connection with the Goochland Project and will not secure any other obligation of Indemnitors to Surety. In the event that Surety Loss with respect to the Goochland Project is not satisfied by Indemnitors, Surety will first draw on the Goochland Letter of Credit to satisfy such Surety Loss before looking to other Collateral. In the event Surety obtains a complete discharge of its obligations under the Bonds issued in connection with the Goochland Project for less than the amount that is paid to Surety under the Goochland Letter of Credit, the balance thereof will be returned or released upon receipt of such discharge. Notwithstanding the foregoing, in lieu of delivery of the Goochland Letter of Credit to Surety, Indemnitors may elect to reduce the total aggregate penal amount of Bonds to be issued by Surety to Eight Million Dollars (\$8,000,000) in each calendar month from and after June 1, 2006, as provided in Section 3(h) of this Agreement.

Indemnitors will at all times keep Surety's security interest properly perfected and hereby designate Surety as their attorney in fact to do any acts or deeds or execute such documents reasonably appropriate to accomplish said perfection. Said designation will be irrevocable as long as any obligation of any of Indemnitors to Surety under this Agreement and/or any of the Surety Credit Documents is outstanding. The right is expressly granted to Surety, at Surety's discretion, to file in those jurisdictions where the same is permitted, one or more financing statements under the UCC and indicating therein the types or describing the items of the Collateral. Without the prior written consent of Surety, none of Indemnitors will, after the date hereof, file or authorize or permit to be filed in any jurisdiction any financing or like statement relating to the Collateral other than filings of Permitted Liens. Surety's security interest will be first and prior to any other Liens on the Collateral except for Permitted Liens. Surety reserves all rights to contest the validity or priority of any Lien.

If any Accounts constituting Collateral should be evidenced by promissory notes, trade acceptances, or other instruments for the payment of money, Indemnitors promptly will deliver the same to Surety appropriately endorsed to the order of Surety. Regardless of the form of each endorsement, Indemnitors hereby waive presentment, demand, notice of dishonor, protest, and notice of protest, and all other notices with respect thereto, except as required by this Agreement.

At any time, and at reasonable intervals, upon the request of Surety, Indemnitors will: (a) give, execute, deliver, file, and/or record any notice, statement, instrument, document, agreement, or other papers that may be necessary or desirable, or that Surety may reasonably request in order to create, preserve, perfect, or validate any security interest granted herein or to enable Surety to exercise and enforce its rights hereunder or with respect to such security interest; and (b) permit Surety or Surety's representatives, at reasonable intervals during normal business hours, to inspect and make abstracts from any of Indemnitors' books and records pertaining to the Collateral.

Upon the Indebtedness being paid and satisfied in full, Surety will, with reasonable promptness, execute all necessary documents and file same in every jurisdiction in which the security agreement or any Surety Credit Document was filed to effectuate a termination of said security agreement and all Liens evidenced thereby.

6. Set Off Rights; Description of Collateral. Indemnitors confirm and acknowledge that Surety has the right to set off against Surety Loss any and all amounts that may be owing from time to time by Surety to any Indemnitor in any capacity, including, but without limitation, any balance or share belonging to any Indemnitor of any deposit or other account with Surety. The Collateral includes all of any Principal's or Indemnitor's right, title, and interest in and to all existing and future Bonded Contracts and associated contract rights; Accounts; all claims, rights, and choses in action against any Obligor on any Bond or against any other Person with respect to any Bond or Bonded Contract; Bonded Contracts Balances; to the extent assignable (provided, that, any such prohibition on assignment would not be rendered ineffective pursuant to Article 9 of the UCC, including, without limitation Section 9-406 and 9-408 of the UCC, or any successor provisions and further, provided, that, any such prohibition on assignment has not otherwise been rendered ineffective, lapsed, or terminated) all rights and actions that any Indemnitor may have or acquire in any subcontract, purchase order, or other agreement in connection with any Bonded

Contract, and against any subcontract, purchase order, or other agreement with any Person furnishing or agreeing to furnish or supply vehicles, labor, supplies, machinery, or other inventory or equipment in connection with or on account of any Bonded Contract, and against any surety or sureties of any such subcontractor, laborer, or other Person; any and all Equipment; any and all Inventory; any and all books, accounts, computer software, and other computer stored information, and any and all drawings, plans, specifications, shop and as built drawings, utilized in or necessary to fully perform all obligations and services required of Principal under the Bonded Contracts; all progress schedules, work in process schedules (including, but not limited to, estimates of completion costs), accounts receivable ledgers, accounts payable ledgers, and estimates of completion costs relating to any and all Bonded Contracts; and any and all proceeds and products arising with respect thereto.

Anything herein to the contrary notwithstanding, (i) Indemnitors will remain liable under any contracts and agreements included in the Collateral, solely to the extent set forth therein, to perform all of their duties and obligations thereunder to the same extent as if this Agreement had not been executed, (ii) the exercise by Surety of any of the rights hereunder will not release any Indemnitor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (iii) Surety will not have any obligation or liability under any contracts and agreements included in the Collateral by reason of this Agreement, nor will Surety be obligated to perform any of the obligations or duties of Indemnitor thereunder or take any action to collect or enforce any claim for payment assigned hereunder.

7. Representations and Warranties. Indemnitors hereby warrant, covenant, and represent that:

(a) Indemnitors are the exclusive owners of the Collateral and have good and marketable title to the Collateral and that on the date of this Agreement the Collateral is free of any and all Liens (excluding Permitted Liens).

(b) Until such time as all of the Indebtedness has been paid and satisfied in full, none of Indemnitors will sell, transfer, convey, or assign any of the Collateral without prior written consent of Surety or permit any Lien on the Collateral (other than Permitted Liens).

(c) If, at any time, the Collateral will be deemed unsatisfactory to and by Surety or in the event Surety will otherwise deem itself, its security interests, its Collateral, or its recovery of Surety Loss unsafe or insecure, then and on demand of Surety, Indemnitors will immediately furnish such further collateral or make such payment on said account as will be reasonably satisfactory to Surety to be held by Surety as if originally pledged hereunder.

(d) The current jurisdiction of formation as of the date of this Agreement, of each of Principal and Indemnitors is correctly reflected on page one and/or the attached Exhibits A and B, respectively. Indemnitors will notify Surety of any change in any Indemnitor's name, identity, corporate structure, or change in jurisdiction in which it is formed or exists thirty (30) days prior to such change. Indemnitors will not be required to give any additional advance notice to Surety of the name changes that are contemplated on the attached Exhibit A, but will give Surety notice of any such name change within ten (10) days of the effective date of the change.

(e) Indemnitors are not in default with respect to any of their existing Debt as of the Effective Date except for defaults arising from the filing of the Bankruptcy Case and such defaults that would not, individually or in the aggregate, have a Material Adverse Effect, and the making and performance of this Agreement and the Surety Credit Documents by Principal and Indemnitors will not (immediately or with the passage of time, the giving of notice, or both):

(i) Violate the charter, bylaws, or other governing document provisions of any Indemnitor, or violate any applicable laws or result in a default under any contract, agreement, or instrument to which any of Indemnitors is a party or by which any of Indemnitors or their property is bound, except for such violations or defaults that would not, individually or in the aggregate, have a Material Adverse Effect; or

(ii) result in the creation or imposition of any Lien (other than Permitted Liens) upon any assets of any Indemnitor other than Liens in favor of Surety.

(f) Indemnitors have the corporate or other power and authority to enter into and perform this Agreement and the Surety Credit Documents to which they are a party, and to incur the Indebtedness herein and therein provided for, and have taken all corporate or other action necessary to authorize the execution, delivery, and performance of this Agreement and such other Surety Credit Documents.

(g) This Agreement and each other Surety Credit Document to which Principal and Indemnitors are a party constitute valid and binding obligations of such Principal and Indemnitors, and are enforceable against such Principal and such Indemnitors in accordance with their respective terms.

(h) Each consent, approval, or authorization of, or filing, registration, or qualification with, any Person required to be obtained by Indemnitors in connection with the execution and delivery of this Agreement or the undertaking or performance of any obligation hereunder or thereunder has been duly obtained, other than any filings to perfect the Liens on the Collateral.

(i) Indemnitors will promptly pay all of their taxes, assessments, and other governmental charges prior to the date on which any penalties are attached thereto, establish adequate reserves for the payment of taxes and assessments and make all required withholding and other tax deposits; provided, however, that nothing contained in this Agreement will be interpreted to require the payment of any tax, assessment, or charge so long as its validity is being contested in good faith (and for which adequate reserves have been established) by appropriate proceedings and as to which foreclosure and other enforcement proceedings will not have been commenced (unless fully bonded or otherwise effectively stayed).

(j) With regard to the rights with respect to the Bonded Contracts in which Indemnitors have hereby granted Surety a security interest, Indemnitors represent and warrant to Surety:

(i) Such rights arise under one or more existing binding written contracts between a Principal and the other party or parties thereto, or will be evidenced by a binding

written contract before performance thereunder, and do or will represent a bona fide transaction, enforceable in accordance with its terms;

(ii) The title of such Principal to the Bonded Contracts is absolute;

(iii) No rights of any Principal under any Bonded Contracts have been transferred to any other Person except pursuant to Permitted Liens;

(iv) Indemnitors have not received any prepayment of amounts due Surety under any Bonded Contracts;

(v) Indemnitors will not, without the prior written consent of Surety, permit any material amendment, modification, settlement, compromise, or extension to any of the Bonded Contracts if such modification, compromise, settlement, or extension would adversely affect the interests of Surety or extend the time of any payment required thereunder; and

(vi) To the best of Indemnitors' knowledge, information, and belief, all parties to any Bonded Contracts, and other commitments that constitute Collateral and to which any of Indemnitors are a party, have complied in all material respects with the provisions of such Bonded Contracts and other commitments; no party is in default in any material respect under any provision thereof; and no event has occurred which, but for the giving of notice or the passage of time, or both, would constitute a default.

(k) Indemnitors have the insurance in force that is usual and customary for those engaged in the same or similar business of Indemnitors, and that they will maintain said insurance in force with good and substantial carriers with insurance companies with an A- rating or better. Indemnitors further agree to furnish Surety, upon request, with the insurance in force and with copies of the policies of said insurance evidencing the existence of the coverage called for by this Agreement. Indemnitors will obtain all necessary insurance coverages, including, without limitation, workers' compensation, liability, and other insurance coverages, in the amounts and as required by the Bonded Contracts that are the subject of the Bonds, protecting itself, Obligees (as applicable), and, if requested, Surety. Indemnitors will deliver to Surety copies of Certificates of Insurance showing Surety as an additional insured for all such insurance policies which Surety has specifically requested that it be added as an additional insured, except as to professional liability coverages.

(l) As of the Effective Date, none of Indemnitors is insolvent within the meaning of the Bankruptcy Code; provided, however, this representation and warranty shall not apply to Bryant Electric Company, Inc., Daniel Electrical Contractors, Inc., Mark Henderson, Incorporated, Pan American Electric, Inc., Pan American Electric Company, Inc., Thomas Popp & Company, Valentine Electrical, Inc., and Mills Electric L.P.

(m) Principal or Indemnitors will give prompt notice to Surety of their knowledge of any pending or threatened proceeding or claim before any court or governmental agency or department which involves a reasonable material risk of having a Material Adverse Effect.

(n) Indemnitors are in material compliance with all laws, statutes and governmental rules and regulations applicable to it or them, except for any failure so to be in compliance which would not reasonably be expected to have a Material Adverse Effect.

(o) Indemnitors perform minimal work as a party contracting directly with the Federal Government or any of its agencies and do not anticipate that changing.

(p) Bonds have been issued in the names of Riviera Electric, LLC, Riviera Electric LP, Riviera Electric Inc., and Riviera Electric as the named Principal. Indemnitors represent and warrant to Surety that the proper name of the entity is Riviera Electric LLC. If Surety requests that Integrated Electrical Services, Inc. take the necessary steps to correct any Bonded Contracts and Bonds that may have been issued with the names Riviera Electric, Riviera Electric LP, or Riviera Electric Inc. to change the name to Riviera Electric LLC, Indemnitors will take such steps.

(q) Exclusive of the documents set out on Exhibit D hereto, as of the date hereof, none of Indemnitors (exclusive of Integrated Electrical Services, Inc.) is bound by any agreement, indenture, or other Debt instrument for borrowed money involving a principal amount in excess of Two Hundred Fifty Thousand Dollars (\$250,000).

8. Use of Licensed Property. Indemnitors hereby grant to Surety an irrevocable, non exclusive, royalty-free, and fully paid-up license and right to use the Licensed Property upon the occurrence of and during the continuance of any Event of Default for the limited purpose of: (i) obtaining bids for the completion of any Bonded Contract; (ii) taking possession of the Work under any Bonded Contract; (iii) completing, or consenting to the completion of, any Bonded Contract; and (iv) tendering the completion of any Bonded Contract to any Obligees that has agreed to accept a tender of completion of the Bonded Contract.

9. Preservation of the Collateral. Principal and Indemnitors will use reasonable efforts to preserve the Collateral and defend the title and Surety's security interest therein, at Principal and Indemnitors' cost and expense. Each Principal and Indemnitors' principal place of business and chief executive office as of the date of this Agreement is correctly reflected on Exhibits A and B, respectively. The principal place of business and chief executive office of Integrated Electrical Services, Inc., and location of its Records related to the Bonded Contracts, is correctly reflected in Section 38. The Records of each Principal and Indemnitor related to the Collateral are located at the principal places of business and chief executive offices reflected on Exhibits A and B, respectively. Indemnitors agree to give Surety immediate prior written notification of the establishment of any new chief executive office or principal place of business; and the discontinuance of any office or place of business.

Indemnitors will pay and discharge promptly all taxes, assessments, and governmental charges or levies imposed upon the Collateral, as well as all judgment liens and all claims for labor and materials which, if unpaid, might constitute a Lien or charge upon the Collateral (other than Permitted Liens), unless and only to the extent that the same will currently be duly contested in good faith (and for which adequate reserves have been established) by appropriate

proceedings and as to which foreclosure and other enforcement proceedings will not have been commenced (unless fully bonded or otherwise effectively stayed).

Upon the occurrence of an Event of Default, at its option, Surety may discharge valid taxes, Liens, security interests, or other encumbrances at any time levied or placed on said Collateral. Indemnitors agree to reimburse Surety, on demand, for any such payment made, or any such expense incurred by Surety pursuant to the foregoing authorization. Any amounts so advanced, paid or expended will be included within the defined term "the Indebtedness," and will bear interest from the time advanced, paid, or expended at the Default Rate and be secured by the Collateral and its payment enforced as if it were part of the original Indebtedness. Any sum expended, paid, or advanced under this paragraph will be at Surety's sole option and not constitute a waiver of any default or right arising from the breach by Indemnitors of any covenant or agreement contained in the Surety Credit Documents.

10. Indemnitors to Hold Contract Funds in Trust. Indemnitors agree and expressly declare that all funds due or to become due under the Bonded Contracts are trust funds, whether in possession of Indemnitors or another, for the benefit and the payment of all Persons to whom Indemnitors incur obligations in the performance of the Bonded Contracts, for which Surety is or may be liable under the Bonds. If Surety discharges any such obligations, with or without a claim asserted against Surety under the Bonds, it will be entitled to assert the right of such Person to the trust fund. All payments received for or on account of any Bonded Contract will be held in a trust fund to assure the payment of obligations incurred or to be incurred in the performance of any Bonded Contract and for labor, materials, and services furnished in the prosecution of the performance required by any Bonded Contract or any extension or modification thereof. All monies due and to become due under any Bonded Contract are also trust funds, whether in the possession of Indemnitors, or otherwise. Such trust funds will be for the benefit and payment of all obligations for which Surety is or may be liable under any Bonds. Such trust funds will inure to the benefit of Surety for any liability or Surety Loss it may have or sustain under any Bond, and this Agreement and declaration constitute notice of such trust. As long as no Event of Default has occurred, the trust funds, unless otherwise restricted or regulated by state or local laws, can be commingled with other funds, but the trust fund nature and purpose as stated in this paragraph will not be modified nor waived by this commingling provision.

Upon the occurrence of an Event of Default, Indemnitors will, upon demand of Surety, open an account(s) with a bank or similar depository designated by Indemnitors and approved by Surety, which account(s) will be designated as trust account(s) for the deposit of such trust funds, and will deposit therein following such demand, all monies paid or to be paid under the Bonded Contracts. Withdrawals from such account(s) will be by check or similar instruments signed by a representative of Surety and, at Surety's option, countersigned by Indemnitors. Said trust(s) will terminate on the payment by Indemnitors of all the contractual obligations for the payment of which the trust(s) is created. In furtherance of the foregoing, Surety acknowledges that absent the occurrence of an Event of Default and such demand by Surety, Principal's cash management system will not be affected or changed by the terms of this Agreement.

11. Premium Payment. Indemnitors agree to pay all premiums on the Bonds issued after the Effective Date, computed at a rate of Seventeen 50/100 Dollars (\$17.50) per One

Thousand Dollars (\$1,000) of the contract price. The failure of any Indemnitator to pay the bond premiums or the failure of Surety to receive premiums will not provide Indemnitors with any defense to an action under this Agreement. Indemnitors also agree to pay all premiums due Surety on any insurance policy(ies) issued by Surety for the benefit of any Indemnitator.

12. Corporate Identity and Existence. None of Principal or Indemnitors has used any trade name (other than its legal name) or previous names during the time period of July 1, 2005, through the date of this Agreement other than those set out on Exhibits A and B, respectively. Each of Principal and Indemnitors is a corporation or other legal entity duly organized, validly existing, and in good standing under the laws of the state and/or other jurisdiction as indicated in Exhibits A and B, respectively. Each of Principal and Indemnitors has the corporate or other power to own its properties and to engage in the business it conducts, and is duly qualified and in good standing as a foreign corporation in the jurisdictions wherein the nature of the business transacted by it or property owned by it makes such qualification necessary, except where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect. Each of Principal and Indemnitors will maintain their formal existence (in good standing where appropriate under state or other governing law) and remain or become duly qualified (and in good standing where appropriate under state or other governing law) as a foreign entity in each jurisdiction in which the conduct of their respective businesses requires such qualification or license except in each case where the failure to maintain such existence to be so qualified would not reasonably be expected to have a Material Adverse Effect. Principal and Indemnitors will use reasonable efforts to furnish Surety with any financial information related to Indemnitors or the Collateral in the form and at the time reasonably appropriate and as reasonably requested by Surety and as set out in Section 13 of this Agreement.

13. Accounts; Financial Reporting; Books and Records. Indemnitors will: (a) provide Surety with copies of yearly audited consolidated financial statements as soon as possible upon completion and in no event later than one hundred twenty (120) days after the end of the period under audit; (b) furnish Surety with true copies of unaudited quarterly consolidated and consolidating financial statements for Indemnitors as soon as reasonably practicable and in no event later than sixty (60) days after the end of the period under audit; (c) provide Surety with copies of any and all financial records or similar financial disclosures that Indemnitors provide to any lender under the terms set out in any credit facility entered into or to be entered into by any Indemnitors; (d) provide Surety with a quarterly summary of any contracts entered into with the Federal Government or any of its instrumentalities and identifying any contracts that they anticipate pursuing with any Federal Government or instrumentality within the next following three (3) months; (e) provide Surety with monthly work in process schedules reflecting activities under all of the Bonded Contracts that relate to projects of Indemnitors and such other information on Bonded Contracts that relate to projects that have been transferred to third party entities that is actually received by Indemnitors no later than twenty (20) days after the end of each calendar month; and (f) such other financial information in a form as Surety will reasonably require upon completion and in no event later than sixty (60) days after the period under review. In the event Surety is not provided with work in process schedules as required by the foregoing item (e), then Surety will be unable to calculate Bonded Backlog and the availability of Bonds will be suspended until the necessary schedules are provided and Surety has had sufficient time to analyze these schedules. These financial documents described in (a) and (b) above will be

prepared in conformity with GAAP, subject to normal year-end audit adjustments and the absence of footnotes as applicable, and in each instance will present fairly and accurately the financial condition of Indemnitors, as applicable, as of the dates of the statements and the results of their operations for the periods then ended. Indemnitors agree to immediately notify Surety of the occurrence of any material change in their financial condition that would reasonably be expected to have a Material Adverse Effect. Indemnitors represent that their books and records will be kept accurately and in a timely manner and in accordance with good business practices.

Indemnitors at all times will keep accurate and complete Records of Indemnitors' Accounts and Bonded Contracts, and make those Records available for review, upon a reasonable and appropriate request by Surety. Surety will have the right at all times during regular business hours to free access to the papers of each Indemnitor including, without limitation, its books, records, accounts, computer software, and other computer stored information, licenses, copyrights, patents, and other intellectual property, for the purpose of examining, copying, or reproducing the same. Each Indemnitor authorizes and requests any and all depositories in which funds of any Indemnitor may be deposited to furnish to Surety, upon reasonable request by Surety, statements of account and any other documents reflecting receipts and disbursements and any Person doing business with Indemnitors is authorized to furnish any information requested by Surety concerning any transaction. Subject to the terms and conditions of that certain Nondisclosure and Confidentiality Agreement effective October 1, 2004, executed by and between Chubb & Son, a division of Federal Insurance Company, and Integrated Electrical Services, Inc., Surety may furnish copies of any and all statements, agreements, and financial statements and any information which it now has or may obtain concerning each of the Indemnitors to other Persons or companies for the purpose of procuring co suretyship or reinsurance, or during the investigation of claims that may be, or have been, asserted against Surety.

14. Representations; Duty to Notify Surety. The representations and warranties of Indemnitors contained in this Agreement are true and correct and complete on and as of the date of this Agreement.

Indemnitors hereby undertake the duty to notify Surety at the earliest practicable moment of: (i) any material change in the terms or provisions of any of the Bonded Contracts that would materially and adversely affect Surety; and (ii) any material change in any representation made in this Agreement or in any other document or provided to Surety in connection with its obligations of suretyship that would materially and adversely affect Surety. Indemnitors acknowledge hereby that Surety has and will continue to rely upon such information in undertaking its obligations to third parties under said Bonds. Indemnitors will promptly notify Surety immediately if any of them becomes aware of the occurrence of any Event of Default or of any fact, condition, or event that only with the giving of notice or passage of time or both, could become an Event of Default, or of the failure of Indemnitors to observe any of their respective undertakings hereunder and under any of the Surety Credit Documents.

15. Bankruptcy Court Approval. In the event any of Indemnitors file for relief under the Bankruptcy Code after the Effective Date and Surety determines that it is necessary or desirable that bankruptcy court approval be obtained with respect to this Agreement or the

transactions contemplated hereunder, subject to compliance with law and any applicable orders of the bankruptcy court, trustee, receiver or equivalent Person, Indemnitors will use their respective reasonable best efforts to obtain a court order which, among other things, (i) determines that this Agreement (and any other Surety Credit Documents entered into by Indemnitors with Surety) was proposed by Surety in good faith and should be approved; (ii) determines that Surety is a creditor who gave "new value" and entered into a "contemporaneous exchange for value" with Indemnitors as contemplated by the Bankruptcy Code, including, but not limited to, Sections 547(a)(2) and 547(c) of the Bankruptcy Code, when entering into this Agreement (and any other documents entered into by any of Indemnitors with Surety) and that the transfers made by Indemnitors do not constitute preferences under the provisions of Section 547 of the Bankruptcy Code; (iii) authorizes and directs Indemnitors, as applicable, to ratify this Agreement (and any other Surety Credit Documents entered into by Indemnitors with Surety); (iv) authorizes and directs Indemnitors, as applicable, to execute, deliver, perform under, consummate, and implement, this Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the transactions contemplated in this Agreement; (v) authorizes claims and recourse by Surety against the Collateral for any reason set forth in this Agreement (and any other documents entered into by Indemnitors with Surety); and (vi) approves any post petition security interest, as provided in Section 552 of the Bankruptcy Code. The provisions of this Section 15 will apply regardless of whether any of Indemnitors is a debtor in any bankruptcy cases.

In such event, and at the request of Surety, Indemnitors, as applicable, will promptly make any filings, take all actions, and use their respective best efforts to obtain any and all other approvals and orders necessary or appropriate for consummation of the transactions contemplated in this Agreement, subject to their obligations to comply with any order of any bankruptcy court.

In the event an appeal is taken, or a stay pending appeal is requested, from any order entered in any bankruptcy proceeding, Indemnitors, as applicable, will immediately notify Surety of such appeal or stay request and will provide to Surety within one business day a copy of the related notice of appeal or order of stay. Any of Indemnitors, as applicable, will also provide Surety with written notice of any motion or application filed in connection with any appeal from either of such orders.

Indemnitors will cooperate in providing such information and evidence as is necessary to obtain the orders described in this Section 15.

16. Adequate Assurance of Future Performance. Regardless of whether an Event of Default has occurred, Indemnitors agree that in the event of a filing after the Effective Date by or against any of Indemnitors of a proceeding under the Bankruptcy Code:

(a) Surety is the holder of a "claim" and is a claimant within the meaning of Section 101(5) of the Bankruptcy Code and is a "party in interest" within the meaning of Sections 362(d) of the Bankruptcy Code. Surety has standing as a party in interest to be heard in all matters including, without limitation, the right to seek relief pursuant to Sections 361 and 365 of the Bankruptcy Code;

(b) an Event of Default will be deemed to continue to exist and will not be deemed to be cured notwithstanding the payment by Surety pursuant to the Bonds of claims, bills, or other Surety Loss incurred in or in connection with the performance of the Bonded Contracts;

(c) time is of the essence in any Indemnitors acceptance or rejection of a Bonded Contract pursuant to Section 365 of the Bankruptcy Code, and any delay in any Indemnitors prompt acceptance or rejection of same may materially increase Surety Loss; and

(d) with respect to any Bonded Contract assumed by any Indemnitor pursuant to Section 365 of the Bankruptcy Code, the cure of any default and the adequate assurance of future performance to which Surety will be entitled will include, but not be limited to: (i) payment by Indemnitors to Surety in an amount not less than any Reserve which Surety may be required by statute or otherwise deem necessary to establish with respect to the Bonded Contract so assumed; or (ii) Indemnitors may provide Surety with an irrevocable letter of credit, financial guarantee, or surety bond in a form and from a financial institution or corporate surety reasonably acceptable to Surety in an amount no less than any Reserve which Surety may be required by statute or otherwise deem necessary to establish with respect to the Bonded Contract so assumed. Indemnitors represent and agree with Surety that the Collateral, the Existing Pledged Collateral, the Indemnity Agreement, and any collateral and assurances provided for in the Surety Credit Documents is insufficient for purposes of providing adequate assurance of future performance to Surety with respect to any Bonded Contract assumed by such Indemnitor pursuant to Section 365 of the Bankruptcy Code.

17. Use of Cash Collateral. Nothing herein will be deemed to be a consent by Surety that Indemnitors use any "cash collateral," within the meaning of Section 363 of the Bankruptcy Code, including without limitation proceeds from Bonded Contracts, the Existing Pledged Collateral, and the Collateral. In the event that a court of competent jurisdiction determines that, notwithstanding the foregoing, Indemnitors may use any such "cash collateral" then Indemnitors stipulate that the "cash collateral" so used will be disbursed first to the payment of amounts for which Surety is or may become liable under the Bonds, including the payment of bona fide claims for labor, services, and supplies incurred in connection with Bonded Contracts; and second, subject to the availability of periodic surpluses of remaining proceeds from Bonded Contracts, to the payment of Overhead on Bonded Contracts which is ordinary and necessary; provided, however, a stringent standard will be used when determining what constitutes "ordinary and necessary" Overhead.

18. Termination of Automatic Stay. Indemnitors hereby acknowledge, confirm, and agree that, in the event Surety elects to enforce any rights it may have under and of the Surety Credit Documents with respect to the Existing Pledged Collateral and the Collateral, or any other collateral provided as security to secure Surety Loss, any such action will be deemed to be in the nature of a recoupment, rather than a set-off, as contemplated by Section 553 of the Bankruptcy Code. Notwithstanding the foregoing, should Surety deem it advisable and elect to seek relief from the automatic stay imposed by Section 362 of the Bankruptcy Code, Indemnitors hereby covenant to the immediate lifting of such automatic stay and will not contest any motion by Surety to lift such stay upon a showing that: (i) the cost to fully perform the obligations and

services required under any Bonded Contract exceeds the remaining amounts payable under such Bonded Contract; or (ii) the aggregate of the cost to fully perform the obligations and services required under any and all Bonded Contracts exceeds the aggregate of the remaining amounts payable under all Bonded Contracts. Indemnitors stipulate that in the event that the cost to fully perform the obligations and services required under a Bonded Contract exceeds the remaining amounts payable under such Bonded Contract, then such Bonded Contract is not necessary to an effective reorganization of Indemnitors within the meaning of Section 362 of the Bankruptcy Code.

19. Contract Proceeds as Cash Collateral — Priority. Surety and Indemnitors expressly agree that the proceeds arising from Bonded Contracts constitute “cash collateral” as that term is defined under Section 363 of the Bankruptcy Code. Surety and Indemnitors further agree that Surety will have a claim to the proceeds arising from such Bonded Contracts, and said claim will have priority over all expenses of the kind specified or ordered pursuant to Sections 105, 326, 330, 331, 503(b), 503(c), 507(a), 507(b), 546(c), or 726 of the Bankruptcy Code, and will also have priority over any other priority claims. Indemnitors further acknowledge that this claim of Surety will at all times be senior to the rights of Indemnitors or any Trustee in any case or proceeding in which any of Indemnitors becomes a debtor or debtor-in-possession under the Bankruptcy Code.

20. One General Obligation — Default. Indemnitors will notify Surety promptly if any of them becomes aware of the occurrence of any Event of Default or of any fact, condition, or event that only with the giving of notice or passage of time or both, could become an Event of Default, or of the failure of Indemnitors to observe any of their respective undertakings hereunder or under any of the Surety Credit Documents. It is distinctly understood and agreed that all of the rights of Surety contained in this Agreement will likewise apply insofar as applicable to any modification of or supplement to this Agreement and to any other of the Surety Credit Documents. Any default under the terms of this Agreement or any of the Surety Credit Documents will constitute, likewise, a default by Indemnitors of every existing agreement with Surety, and any default by Indemnitors of any other agreement with Surety will constitute a default of this Agreement.

21. Indemnitors Agree to Become Party Defendants. In the event of legal proceedings against Surety, the subject matter of which pertains to this Agreement, the Bonds, or any of the Bonded Contracts, Surety may apply for a court order making any or all of Indemnitors party defendants, and each such Indemnitor consents to the granting of such application, including consent to the jurisdiction of the court in which the application is made, and agrees to become such a party defendant or third-party defendant and to allow judgment, in the event of judgment against Surety, to be rendered also against each such Indemnitor, jointly and severally, in like amount and in favor of Surety. The foregoing will not adversely affect the joint and several liability of each Indemnitor to Surety for any and all Surety Loss, including, but not limited to, any Surety Loss incurred in connection with any litigation in which such Indemnitor is not named a third-party defendant.

22. Indemnitors' Waiver of Notice; Rights of Surety. Except as set forth in Section 33, upon any execution, continuation, modification, renewal, enlargement, or amendment of any

bond pursuant to the terms hereof or thereof, Indemnitors waive notice of the execution, continuation, modification, renewal, enlargement, or amendment of any Bond and of any fact, act, or information concerning or affecting the rights or liabilities of Surety or Indemnitors including, but not limited to, any acts giving rise to any Surety Loss under the Bonds. Indemnitors hereby consent and agree that Surety may at any time, and from time to time, without notice to or further consent from Indemnitors, either with or without consideration, (i) surrender any property or other security of any kind or nature whatsoever held by it or by any Person on its behalf or for its account, securing any Surety; (ii) substitute for any collateral so held by it or other collateral of like kind, or of any kind; (iii) modify the terms of any of the Surety Credit Documents related thereto (other than this Agreement); (iv) grant releases, compromises, and indulgences with respect to any of the Surety Credit Documents to any Person now or hereafter liable thereunder or hereunder; or (v) take or fail to take any action of any type whatsoever. Notwithstanding the foregoing, nothing contained in the above clause (iii) will limit Surety's ability to modify the terms of any of the Surety Credit Documents (other than this Agreement) at any time (whether an Event of Default has occurred or is continuing) to the extent necessary to keep Surety's security interest in the Collateral properly perfected pursuant to Section 5. No such action which Surety will take or fail to take in connection with the Surety Credit Documents, or any one of them, or any security for the payment of Surety or for the performance of any obligations or undertakings of Indemnitors, nor any course of dealing with Indemnitors, Surety, or any other Person, will release Indemnitors' obligations hereunder, affect this Agreement in any way, or afford Indemnitors any recourse against Surety.

23. Indemnitors' Knowing Consent to Agreement. Each of Indemnitors warrants that it is specifically and beneficially interested in obtaining future Bonds or the renewal of any existing Bonds. Indemnitors acknowledge that the execution of this Agreement and the undertaking of indemnity was not made upon any representation by Surety concerning the responsibility of any of Indemnitors or concerning the competence of Indemnitors to perform. Indemnitors agree to make no claim against Surety for any oral representations, promises, or statements made to any of them by Surety or any of its agents or brokers, or for the failure of Surety to disclose facts or information to Indemnitors. This Agreement has been negotiated by the parties and each party has had the benefit of counsel.

24. Assignment. Surety, and only Surety, may assign or transfer, in whole or in part, the Indebtedness and all or part of Surety's interest in the Collateral. The transferees will have the same rights and powers with reference to the Collateral as are hereby given to Surety, and upon such transfer, Surety will be fully discharged from all claims with respect to any Collateral so transferred, but will retain all rights and powers hereby given with respect to any of the Collateral not so transferred. Indemnitors may not assign or otherwise transfer their rights and duties under this Agreement without Surety's written approval. In any event, the covenants, representations, warranties, and agreements of Indemnitors set forth herein will be binding upon Indemnitors, their successors and assigns.

25. Indemnitors' Duty to Deliver and Execute Papers and Other Instruments. Indemnitors agree upon the request of Surety, to sign, execute, file, and/or deliver to Surety all documents, reports, papers, pleadings, and/or instruments reasonably required to obtain and/or confirm any of Surety's rights under this Agreement or the Surety Credit Documents. During the

term of this Agreement and following the occurrence of any Event of Default, Indemnitors will furnish to Surety upon its reasonable written request a statement of all deposits by source and amount of all withdrawals by payee and amount and all beginning and ending balances for all bank accounts maintained by any Indemnitor. Furthermore, Surety will be allowed access to all of Indemnitors' business records during regular business hours.

26. Indemnitors' Representation. Indemnitors will provide Surety on an annual basis (and at such other intervals as Surety may reasonably require) with a letter in which their respective chief financial officer, or equivalent officer, represents that he/she has no knowledge of the existence of any condition, event, or act which constitutes, or which with notice or the lapse of time, or both, would reasonably be expected to constitute an Event of Default. If Surety feels that any such letter is overdue or has not been timely provided, Surety may give written notice of same to Indemnitors, and Indemnitors agree to provide such letter within thirty (30) days of the date of such notice. Failure of Indemnitors to timely provide any such letter (after such cure period) or the presence of any materially incorrect statement on such letter will constitute an Event of Default on the part of Indemnitors after an additional fifteen (15) day written notice from Surety unless provided or otherwise secured within such fifteen (15) day period. The chief financial officer (or equivalent officer) who submits such letter will have no personal liability or responsibility of any nature to Surety, including, but not limited to, with respect to the contents of such letter or the failure of Indemnitors to timely provide such letter.

27. Payment of Labor, Material, and Other Costs. Principal agrees to first use any Bonded Contract Balances generated by Bonded Contracts to pay valid labor, materials, and any other costs or expenses incurred when due in connection with the performance of the Bonded Contracts. As long as no Event of Default has occurred, unless otherwise restricted or regulated by state or local laws, Bonded Contract Balances can be co-mingled with other funds. Surety further acknowledges that absent the occurrence of an Event of Default and demand by Surety, Principal's cash management system will not be affected or changed by the terms of this Agreement.

28. Rights of Surety to Take Possession of the Work. Upon the occurrence of any Event of Default, in addition to other remedies provided herein, Surety is authorized and empowered, but is not obligated to take possession of the Work under any Bonded Contract and at the expense of Indemnitor to complete or to contract for the completion of the same, or to consent to the reletting of the completion thereof by, or to take such other steps as in the discretion of Surety may be advisable or necessary to obtain its release or to avoid Surety Loss.

29. Rights of Surety to Perform Under the Bonded Contracts. Upon the occurrence of any Event of Default, in addition to other remedies provided therein, Surety is authorized and empowered, but is not obligated to take over performance of the Work under any Bonded Contracts and at the expense of Indemnitors to complete or to contract for the completion of the same, or to consent to the reletting of the completion thereof by, or to take such other steps as in the discretion of Surety may be advisable or necessary to obtain its release or to avoid Surety Loss.

30. Right of Surety to Settle Claims. Surety will have the exclusive right for itself and for Indemnitors to decide and determine in good faith and in a reasonable manner whether any claim, demand, suit, or judgment on the Bonds will be paid, settled, defended, or appealed. Any payment or determination made by Surety that: (1) Surety was or might be liable therefor; and (2) such payments were necessary or advisable to protect any of Surety's rights or to avoid or lessen Surety's liability or alleged liability will be final, conclusive, and binding upon Indemnitors; and any Surety Loss which may be sustained or incurred will be paid by Indemnitors upon written demand by Surety. In the event of any payment, settlement, compromise, or investigation, an itemized statement of Surety Loss sworn to by an officer or authorized representative of Surety or vouchers or other evidence of such Surety Loss will be prima facie evidence of the fact and extent of the liability of Indemnitors to Surety in any claim or suit and in any and all matters arising between and among Indemnitors and Surety.

31. Authority of Surety to Make Loans to Indemnitors. In addition to the other remedies provided herein, at the request of any Indemnitor, Surety is authorized and empowered, but is not obligated to advance or loan money or guarantee loans to any Indemnitors as Surety may see fit for the purpose of completing performance of any of the Bonded Contracts, or for the purpose of meeting operational expenses or paying other obligations, bonded or unbonded. Such funds may be advanced or guaranteed at any time, whether before or after default of such Indemnitor under the Bonded Contracts. Upon demand by Surety, Indemnitors will be responsible to reimburse Surety for all funds advanced, loaned, or guaranteed by Surety to any Indemnitor and all Surety Loss incurred by Surety in relation thereto, notwithstanding the failure of such Indemnitor to so use those funds. Indemnitors waive all notice of such advance, loan, or guarantee, and acknowledge that whether to make any such advances, loans, or guarantees will be made in the sole and absolute discretion of Surety.

32. Authority of Surety to Amend Bond. Surety will have the right, and is hereby authorized and empowered, but not required: (a) to increase or decrease the penalty or penalties of any Bonds, to change Obligees therein, to execute any continuation, enlargements, modifications, and renewals thereof or substitute therefor with the same or different conditions, provisions or Obligees, and with the same, larger, or smaller penalties, it being agreed that this Agreement will apply to and cover such new or changed Bonds or renewals even though the consent of Surety may or does substantially increase the liability of the Indemnitors; or (b) to take such steps as it may deem necessary or proper to obtain release from liability under the Bonds; or (c) to assent to any changes in any Bonded Contract, including but not limited to, any change in the time for completion of any Bonded Contract and to payments or advances thereunder; or (d) to assent to or take any assignments of any Bonded Contract. Prior to an occurrence of an Event of Default, except as may be required by the provisions of any Bond, Bonded Contract, or applicable statute, Surety may not amend or otherwise modify any provision of any Bond except with the consent of Principal or Integrated Electrical Services, Inc.

33. Rights and Remedies on Default. In addition to the rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing, or relating to any of the Indebtedness, Surety will have all the rights and remedies of a secured party under the UCC.

In the event of the refusal or failure of Indemnitors to exonerate Surety as required under the Indemnity Agreement, Indemnitors agree upon written demand to provide to Surety a reasonable amount of money designated by Surety and/or other collateral decided upon by Surety. Such funds and/or other collateral will be held by Surety as collateral in addition to the indemnity and other collateral afforded by this Agreement, with the right to use such funds and/or other collateral or any part thereof, at any time in performance, payment, or compromise of any obligations or liability, claims, demands, judgments, damages, fees, and disbursements or other expenses. Said deposit and/or provision of money and/or other collateral designated by Surety will be required regardless of whether any Reserve has been established by Surety. Without limiting the generality of the foregoing, in the event Surety posts a Reserve, then Indemnitors will deliver to Surety cash in an amount equal to the Reserve posted in addition to the Collateral. Demand will be sufficient if sent by certified mail, return receipt requested, to Indemnitors at the address or addresses given herein or last known to Surety, whether or not actually received. Indemnitors acknowledge that the failure of Indemnitors to deposit with Surety, immediately upon demand, the sum demanded by Surety as collateral security will cause irreparable harm to Surety for which Surety has no adequate remedy at law. Indemnitors agree that Surety will be entitled to injunctive relief for specific performance of the obligations of Indemnitors to deposit with Surety the sum demanded as collateral security and hereby waives any claims or defenses to the contrary. The deposit of collateral pursuant to this Section 33 will not be deemed to cure any default under the Bonded Contract(s) and Surety may, in its sole and absolute discretion, refuse to issue any bonds; provided, however, the foregoing will not be deemed to alter certain of the provisions under the definition of Event of Default that permit certain Events of Default to be cured upon the deposit of cash collateral.

Without limiting the generality of the foregoing, upon any Event of Default, Surety is entitled to require Indemnitors to deposit or cause to be deposited, all checks, drafts, cash, and other remittances received in payment upon any or all of the Bonded Contracts or other Collateral in a special "lockbox" bank account at a financial institution designated by Surety, over which account Surety alone has power of withdrawal. During the continuance of any Event of Default, Surety may further instruct any Oblige on any Bond, on behalf of Indemnitors and/or Surety, to pay said remittances directly to Surety. The funds in said special bank account will be held by Surety as security for all Indebtedness. Said proceeds will be deposited in precisely the form received, except for the endorsement of Indemnitors where necessary to permit collection, which endorsement Indemnitors agree to make and which Surety is hereby irrevocably authorized to make on Indemnitors' behalf. Pending such deposit, Indemnitors agree that they will not commingle any such checks, drafts, cash, and other remittances with any of Indemnitors' funds or property, but will hold them separate and apart therefrom and upon an express trust for Surety until deposit thereof is made in the said special bank account. Subject to the trust fund provisions set out in Section 10, Surety will apply, as Surety deems appropriate, any and all of the collected funds on deposit in the said special bank account against the Indebtedness, the order and method of such application to be in the discretion of Surety. Indemnitors agree to execute any documents and perform any acts necessary to assure that remittances described in this paragraph are received by Surety as contemplated herein, including, but not limited to, letters of direction to remit said funds to Surety as contemplated herein.

After the occurrence of an Event of Default, Surety is entitled to immediate possession of the Collateral and may dispose of all or any portion of the Collateral pursuant to the provisions of Article 9 of the UCC and may exercise from time to time any other rights and remedies available to it under applicable law. Surety may require Indemnitors to assemble the Collateral and make it available to Surety at a place to then be designated by Surety, which is reasonably convenient to both parties.

Indemnitors hereby waive any right they may have under any constitution, statute, or rule of law to notice and/or a hearing prior to seizure of the Collateral. Surety will have no custodial or ministerial duties to perform with regard to the Collateral except for its safekeeping; and by way of explanation and not by way of limitation thereof, Surety will incur no liability for any diminution in the value of the Collateral unless caused by its willful misconduct; or its failure to notify any party hereto that the Collateral should be so presented or surrendered.

34. Preservation of Surety's Rights. Surety will have every right and remedy which a personal surety without compensation would have, including the right to secure its discharge from the suretyship, and notwithstanding anything contained herein to the contrary, the parties agree that with respect to all funds due or to become due under the Bonded Contracts nothing herein will waive, impair, or limit any right, power, or remedy of Surety under the Indemnity Agreement, or at law or in equity, including, without limitation, Surety's right of equitable subrogation, which right the parties hereby expressly recognize. No failure on the part of Surety to exercise, and no delay in exercising, any right, power, or remedy hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right, power or remedy by Surety, preclude any other or further exercise thereof, or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

35. Authority of Surety to Elect Remedies. Each right, remedy, and power of Surety provided in this Agreement, the Surety Credit Documents, or by law, equity, or statute will be cumulative, and the exercise by Surety of any right, remedy, or power will not preclude Surety's simultaneous or subsequent exercise of any or all other rights, powers, or remedies. The failure or delay by Surety to exercise any right, power, or remedy will not waive any right, power, or remedy. Except as required herein, no notice or demand upon Surety by any Indemnitor will limit or impair Surety's right to take any action under this Agreement or to exercise any right, power, or remedy.

36. Validity of Agreement. Failure to execute, or defective execution, by any party will not affect the validity of this Agreement as to any other party executing the same and each other party will remain fully bound and liable hereunder. Executions of any application or submission for any Bond by any Indemnitor will not abrogate, waive, or diminish any rights of Surety under this Agreement.

37. Waiver. Surety will not be deemed to have waived any of Surety's rights hereunder or under any other agreement, instrument, or paper signed by any Indemnitor unless such waiver be in writing and signed by Surety. No delay or omission by Surety in exercising

any right will operate as a waiver of such right or any other right. A waiver on any one occasion will not be construed as a bar to or waiver of any right or remedy on future occasions.

38. Notices. It is mutually agreed that any and all notices herein provided for must be given in writing and will be deemed given if and when delivered in person or duly deposited in the United States Mails, postage prepaid for certified mail, return receipt requested or delivered to a nationally overnight carrier, properly addressed to the party to whom given at the address of such party shown in this Agreement, provided however, that any party may specify any other post office address in the United States by giving at least ten (10) days written notice thereof to the other party.

Surety: Federal Insurance Company
15 Mountain View Road
P.O. Box 1615
Warren, New Jersey 07061-1615
Attn.: Edward J. Reilly
Matt Lubin

With a copy to: Manier & Herod
2200 First Union Tower
150 Fourth Avenue, North
Nashville, Tennessee 37219
Attn.: Sam H. Poteet, Jr.
Mary Paty Lynn LeVan

Indemnitors: Integrated Electrical Services, Inc.
1800 West Loop South, Suite 500
Houston, Texas 77027
Attn: David Miller

With a copy to: Vinson & Elkins L.P.P.
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201
Attn: James A. Markus

39. Failure to Execute Additional Documents — No Effect. The failure of Surety, Indemnitors, or any other party to execute documents referenced in this Agreement as being “anticipated to be executed,” “anticipate entering into,” “to be executed,” or words of similar effect, will not affect the validity and enforceability of this Agreement by and among the parties hereto. This Agreement will be effective from the date of its execution until terminated in writing by the parties hereto regardless of whether any other document is entered into or executed by any Person.

40. Governing Law. This Agreement will be governed by and construed and enforced in accordance with the laws of the State of Texas (without giving effect to its conflict of laws principles). The parties hereto irrevocably consent to the non-exclusive jurisdiction of the

United States District Court or to the extent not available because the jurisdictional pre-requisites are not met, the Supreme Court of the State of New York, in each instance located in New York County, New York, New York for the purpose of any litigation concerning this Agreement. No party hereto will object to or contest New York County, New York, New York as the proper venue for any action or proceeding to enforce the terms hereof. Notwithstanding the foregoing, all disputes regarding the enforcement or interpretation of the Plan of Reorganization will be heard and decided by the Bankruptcy Court.

41. Jury Waiver. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES, AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT, OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, ANY OTHER OF THE SURETY CREDIT DOCUMENTS, OR THE SUBJECT MATTER HEREOF, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING OR WHETHER IN CONTRACT OR TORT OR OTHERWISE. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED THAT THE PROVISIONS OF THIS SECTION 41 CONSTITUTE A MATERIAL INDUCEMENT UPON WHICH THE OTHER PARTIES HAVE RELIED, ARE RELYING, AND WILL RELY IN ENTERING INTO THIS AGREEMENT. THE PARTIES HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 41 WITH ANY COURT A WRITTEN EVIDENCE OF THE CONSENT OF SUCH OTHER PARTY TO THE WAIVER OF ITS RIGHTS TO TRIAL BY JURY.

42. Waiver by Indemnitors; No Marshaling of Assets. To the maximum extent permitted by applicable laws, Indemnitors:

(a) Waive: (i) protest of all commercial paper at any time held by Surety on which any Indemnitor is in any way liable; and (ii) notice (except as otherwise required hereunder) and opportunity to be heard before exercise by Surety of the remedies of self-help, setoff, or of other summary procedures permitted by any applicable laws or by any agreement with any Indemnitor, and, except where required hereby or by any applicable laws, notice of any other action taken by Surety;

(b) release Surety, its officers, directors, attorneys, employees, and agents from (i) any and all claims, causes of action, or liabilities of any nature whatsoever, fixed or contingent, liquidated or non-liquidated, caused by or related to any act of omission, negligence, or other violation of law or breach of contract or other duty on the part of any of them, occurring up to the date of this Agreement, whether known or unknown, and whether discovered or reasonably capable of being discovered; and (ii) any and all claims, causes of action, or liabilities of any nature whatsoever caused by or relating to any act of omission, negligence, or other violation of law or breach of contract or other duty on the part of any of them, except for willful misconduct;

(c) waive any defense arising by reason of, and agree that the rights of Surety and the Indebtedness of Indemnitors will be absolute and unconditional irrespective of: (i) any

disability or other defense of any other Person; (ii) the unenforceability or cessation from any cause whatsoever, other than the indefeasible payment in full, of the Indebtedness; (iii) the application by any of Indemnitors of the proceeds of any Collateral for purposes other than the purposes represented by Indemnitors to Surety; (iv) any modification of the Indebtedness in any form whatsoever, including without limitation the renewal, extension, acceleration, or other changes in the time for payment of Indebtedness, or other change in the terms of the Indebtedness or any part thereof, including any increase or decrease of the rate of interest thereon in accordance with this Agreement; (v) any right to deferral or modification of Indemnitors' obligations hereunder by reason of any bankruptcy, reorganization, arrangement, moratorium, or other debtor relief proceeding; and (vi) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any other Person in respect to the Indebtedness;

(d) waive any right to enforce any remedy that Surety now has or may hereafter have against any other Person, and waive any benefit of, or any right to participate in, any security whatsoever now or hereafter held by Surety; and

(e) waive all claims, direct or indirect, absolute or contingent, against any other borrower, guarantor, endorser, or surety arising from or relating to this Agreement, any of the Surety Credit Documents, and/or the Indebtedness. Without limiting the foregoing, Indemnitors waive all rights of reimbursement, exoneration, indemnification, and/or contribution from any other borrower, guarantor, endorser, or surety under or relating to this Agreement, any of the Surety Credit Documents, and/or the secured indebtedness and waives all rights of subrogation to the claims of Surety which may otherwise arise from such payment. Surety may proceed against any Collateral securing the Indebtedness and against parties liable therefor in such order as it may elect, and neither Indemnitors nor any surety or guarantor for any Indemnitor nor, to the extent allowable by law, any creditor of any Indemnitor will be entitled to require Surety to marshal assets. The benefit of any rule of law or equity to the contrary is hereby expressly waived.

43. Entire Agreement. This Agreement and the Surety Credit Documents represent the entire agreement between the parties concerning the subject matter hereof, and all oral discussions and prior agreements are merged herein. Provided, if there is a conflict between this Agreement and any other of the Surety Credit Documents, the provision most favorable to Surety will control.

44. Security Agreement. This Agreement constitutes a security agreement to Surety and also a financing statement, both in accordance with the provisions of the Uniform Commercial Code of every jurisdiction wherein such Code is in effect, but the filing or recording of this Agreement, or an abstract hereof or financing statement will be solely at the option of Surety and the failure to do so will not release or excuse any of the obligations of Indemnitor under this Agreement. For the purpose of recording this Agreement, a photocopy acknowledged before a Notary Public to be a true copy hereof will be regarded as an original.

45. Further Assurances. Indemnitors agree to do such further acts and things, and to execute and deliver such additional conveyances, assignments, agreements, and instruments, as Surety may at any time request in connection with the administration and enforcement of this

Agreement, and the other Surety Credit Documents or any part thereof or in order better to assure and confirm unto Surety its rights and remedies hereunder and thereunder.

46. Binding Agreement; Assignment. This Agreement, and the terms, covenants, and conditions hereof, will be binding upon the parties hereto and their respective successors and assigns, and will inure to the benefit of the parties, and their respective successors and assigns, except that Indemnitors will not be permitted to assign this Agreement or any interest herein.

47. Amendments, Miscellaneous. This Agreement may not be amended or modified, except by a writing signed by or on behalf of the parties hereto. This Agreement supersedes all prior agreements and proposals with respect to this transaction whether written or oral, made by Surety or anyone acting with its authorization. No modification of this Agreement will be valid unless made in writing and signed by an authorized officer of Surety. This Agreement is not assignable, and no party other than Principal and Indemnitors will be entitled to rely on this Agreement.

48. Severability. Should any provision of this Agreement be invalid or unenforceable for any reason, the remaining provisions hereof will remain in full effect.

49. Time of Essence. Time is of the essence in this Agreement, and all dates and time periods specified herein will be strictly observed, except that Surety may permit specific deviations therefrom by its written consent.

50. Captions Not Controlling. Captions and headings have been included in this Agreement for the convenience of the parties, and will not be construed as affecting the content of the respective paragraphs.

51. Counterparts. This Agreement may be executed by the parties independently in any number of counterparts, all of which together will constitute but one and the same instrument which is valid and effective as if all parties had executed the same counterpart.

52. Additional Principals and/or Indemnitors. Indemnitors and Principals acknowledge this Agreement can be amended via rider executed by Integrated Electrical Services, Inc. to add other Persons as Indemnitor and/or Principal to this Agreement and Indemnitors and Principals waive any and all notice in connection with the addition of additional Indemnitors and Principals and further acknowledge the rights and obligations provided herein will apply to all Indemnitors and Principals whenever made a party to this Agreement. Integrated Electrical Services, Inc. has full right and authority to execute any and all documents on behalf of any Principals and Indemnitors to be added to this Agreement without requiring the separate signature of any such additional Principal and Indemnitors.

53. Power of Attorney. Each Principal and Indemnitor hereby irrevocably constitutes and appoints Integrated Electrical Services, Inc. (and all officers, employees, or agents designated by Integrated Electrical Services, Inc.), with full power of substitution, as such Principal's and/or Indemnitor's true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Principal and/or Indemnitor and in the name of such

Principal and/or Indemnitor or in its own name, from time to time in Integrated Electrical Services, Inc.'s discretion, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purpose of this Agreement and to amend, modify, or supplement this Agreement or other Surety Credit Documents in any manner. Each Principal and Indemnitor hereby ratifies and agrees to be bound by all that Integrated Electrical Services, Inc. will lawfully do or cause to be done by virtue hereof.

54. Possible Future Modification. Any provisions of this Agreement may be waived, amended, or modified pursuant to an agreement or agreements in writing entered into by the Surety and Integrated Electrical Services, Inc.

55. No Contrary Action. Indemnitors will not apply to the Bankruptcy Court in the Bankruptcy Case for the authority to take any action that is prohibited by the terms of this Agreement or any of the other Surety Credit Documents or refrain from taking any action that is required to be taken by the terms of this Agreement or any of the other Surety Credit Documents.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

SURETY:

FEDERAL INSURANCE COMPANY

By: /s/ Edward J. Reilly
Edward J. Reilly

Its: Assistant Secretary

PRINCIPAL:

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ Curt L. Warnock
Curt L. Warnock, Senior Vice President

ALADDIN WARD ELECTRIC & AIR, INC.
AMBER ELECTRIC, INC.
ARC ELECTRIC, INCORPORATED
BACHOFNER ELECTRIC, INC.
BRYANT ELECTRIC COMPANY, INC.
COMMERCIAL ELECTRICAL CONTRACTORS, INC.
CROSS STATE ELECTRIC, INC.
DANIEL ELECTRICAL CONTRACTORS, INC.
DAVIS ELECTRICAL CONSTRUCTORS, INC.
ELECTRO-TECH, INC.
FEDERAL COMMUNICATIONS GROUP, INC.
HATFIELD REYNOLDS ELECTRIC COMPANY
KAYTON ELECTRIC, INC.
MARK HENDERSON, INCORPORATED
MENNINGA ELECTRIC, INC.
MID-STATES ELECTRIC COMPANY, INC.
MITCHELL ELECTRIC COMPANY, INC.
MURRAY ELECTRICAL CONTRACTORS, INC.
NEWCOMB ELECTRIC COMPANY, INC.
NEW TECHNOLOGY ELECTRICAL CONTRACTORS, INC.
PAN AMERICAN ELECTRIC, INC.
PAULIN ELECTRIC COMPANY, INC.
PRIMENET, INC.
PRIMO ELECTRIC COMPANY
RODGERS ELECTRIC COMPANY, INC.
RON'S ELECTRIC, INC.
THOMAS POPP & COMPANY
VALENTINE ELECTRICAL, INC.

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

BEXAR ELECTRIC COMPANY, LTD.

By: BW/BEC Inc., its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

HAYMAKER ELECTRIC, LTD.

By: General Partner, Inc., its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

HOUSTON-STAFFORD ELECTRICAL CONTRACTORS LP

By: Houston-Stafford Management LLC, its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

J.W. GRAY ELECTRICAL CONTRACTORS LP

By: J.W. Gray Management LLC, its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

MILLS ELECTRIC LP

By: Mills Management LLC

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

NEAL ELECTRIC LP

By: BW/BEC Inc., its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

POLLOCK SUMMIT ELECTRIC LP

By: Pollock Electric, Inc. and Summit Electric of Texas,
Inc., its general partners

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

RAINES ELECTRIC LP

By: Raines Management LLC, its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

RIVIERA ELECTRIC, LLC

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

TESLA POWER AND AUTOMATION, L.P.

By: Tesla Power GP, Inc., its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

INDEMNITORS:

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ Curt L. Warnock
Curt L. Warnock, Senior Vice President

ALADDIN WARD ELECTRIC & AIR, INC.
AMBER ELECTRIC, INC.
ARC ELECTRIC, INCORPORATED
BACHOFNER ELECTRIC, INC.
BRYANT ELECTRIC COMPANY, INC.
COMMERCIAL ELECTRICAL CONTRACTORS, INC.
CROSS STATE ELECTRIC, INC.
DANIEL ELECTRICAL CONTRACTORS, INC.
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MENNINGA ELECTRIC, INC.
MID-STATES ELECTRIC COMPANY, INC.
MITCHELL ELECTRIC COMPANY, INC.
MURRAY ELECTRICAL CONTRACTORS, INC.
NEWCOMB ELECTRIC COMPANY, INC.
NEW TECHNOLOGY ELECTRICAL CONTRACTORS, INC.
PAN AMERICAN ELECTRIC, INC.
PAULIN ELECTRIC COMPANY, INC.
PRIMENET, INC.
PRIMO ELECTRIC COMPANY
RODGERS ELECTRIC COMPANY, INC.
RON'S ELECTRIC, INC.
THOMAS POPP & COMPANY
VALENTINE ELECTRICAL, INC.

By: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

BEXAR ELECTRIC COMPANY, LTD.

By: BW/BEC Inc., its general partner

By: /s/ Curt L. Warnock

Curt L. Warnock
Vice President

HAYMAKER ELECTRIC, LTD.

By: General Partner, Inc., its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

HOUSTON-STAFFORD ELECTRICAL CONTRACTORS LP

By: Houston-Stafford Management LLC, its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

J.W. GRAY ELECTRICAL CONTRACTORS LP

By: J.W. Gray Management LLC, its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

MILLS ELECTRIC LP

By: Mills Management LLC

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

NEAL ELECTRIC LP

By: BW/BEC Inc., its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

POLLOCK SUMMIT ELECTRIC LP

By: Pollock Electric, Inc. and Summit Electric of Texas,
Inc., its general partners

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

RAINES ELECTRIC LP

By: Raines Management LLC, its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

RIVIERA ELECTRIC, LLC

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

TESLA POWER AND AUTOMATION, L.P.

By: Tesla Power GP, Inc., its general partner

By: /s/ Curt L. Warnock
Curt L. Warnock
Vice President

PRINCIPAL

<u>PRINCIPAL</u>	<u>PRINCIPAL PLACE OF BUSINESS/CHIEF EXECUTIVE OFFICE (Six Months and Current)</u>	<u>TYPE OF ENTITY</u>	<u>STATE OF FORMATION/REGISTRATION</u>	<u>TAX I.D. NUMBER</u>	<u>TRADE NAME (Past Six Months)</u>
Integrated Electrical Services, Inc.	1800 West Loop South, Suite 500 Houston, Texas 77027	Corporation	Delaware	76-0542208	IES
Aladdin Ward Electric & Air, Inc.	7011 15th Street East Sarasota, Florida 34243	Corporation	Florida	59-2137098	None
Amber Electric, Inc.	630 Kissimmee Avenue Ocoee, Florida 34761	Corporation	Florida	59-1888807	None
ARC Electric, Incorporated	500 Woodlake Drive Suite 105 Chesapeake, Virginia 23320	Corporation	Delaware	76-0581695	ARC Electric
Bachofner Electric, Inc.	20811 NW Cornell Road, Suite 400 Hillsboro, Oregon 97124	Corporation	Delaware	76-0593514	PrimeNet None
Bexar Electric Company, Ltd.	6223 IH 10 West San Antonio, Texas 78201	Limited Partnership	Texas	74-2767532	Bexar Electric Company Galbraith Electric
Bryant Electric Company, Inc.	215 Balfour Drive Archdale, North Carolina 27263-3117	Corporation	North Carolina	56-0154780	Bexar Communications None
Commercial Electrical Contractors, Inc.	975 Millbury Street Worcester, Massachusetts 01607	Corporation	Delaware	76-0587343	Commercial Communications
Cross State Electric, Inc.	2445 Railroad Street Corona, California 92880-5419	Corporation	California	95-3657116	Advantage Controls None
Daniel Electrical Contractors, Inc	5965 NW 82nd Avenue Miami, Florida 33166	Corporation	Florida	59-2622624	Daniel Electrical Daniel Electrical of West Palm Beach Daniel Electrical – Treasure Coast East Coast Electric Collier Electric Collier-Daniel Electric

EXHIBIT A

PRINCIPAL	PRINCIPAL PLACE OF BUSINESS/CHIEF EXECUTIVE OFFICE (Six Months and Current)	TYPE OF ENTITY	STATE OF FORMATION/REGISTRATION	TAX I.D. NUMBER	TRADE NAME (Past Six Months)
Davis Electrical Constructors, Inc.	429 N. Main Street Greenville, South Carolina 29601	Corporation	South Carolina	57-0474303	Davis International, a division of Davis Electrical Constructors, Inc.
Electro-Tech, Inc.	1235 Coney Island Drive Sparks, Nevada 89431-6035	Corporation	Nevada	88-0200302	Davis Constructors Electro-Tech of Nevada
Federal Communications Group, Inc.	2328 West Huntington Drive Tempe, Arizona 85282	Corporation	Delaware	85-0461441	Apex Tele- Communications Training Solutions
Hatfield Reynolds Electric Company	945 West Deer Valley Road, Suite 1 Phoenix, Arizona 85027	Corporation	Arizona	86-0565738	Hatfield Reynolds Electric
Haymaker Electric, Ltd.	2928 6th Avenue South Birmingham, Alabama 35233-2902	Limited Partnership	Alabama	63-1080688	None
Houston-Stafford Electrical Contractors LP	10203 Mula Circle Stafford, Texas 77477	Limited Partnership	Texas	52-2095983	Houston Stafford Electric HSE Electrical Contractors HSE Alarm Systems HSE Special Systems Austin-Stafford Electric Copious Technologies
J.W. Gray Electrical Contractors LP	6510 Burgeois Road Houston, TX 77066	Limited Partnership	Texas	52-2097983	HSE Electrical Services Gray Electric SecurePro Alarm Systems IES Multifamily Resources
Kayton Electric, Inc.	120 South Lincoln Street Holdrege, Nebraska 68949	Corporation	Nebraska	47-0623159	None

PRINCIPAL	PRINCIPAL PLACE OF BUSINESS/CHIEF EXECUTIVE OFFICE (Six Months and Current)	TYPE OF ENTITY	STATE OF FORMATION/REGISTRATION	TAX I.D. NUMBER	TRADE NAME (Past Six Months)
Mark Henderson, Incorporated	5322 Snapfinger Park Drive Decatur, Georgia 30035-4040	Corporation	Delaware	76-0576830	Mark Henderson
Menninga Electric, Inc.	905 West 8th Street Pella, Iowa 50219	Corporation	Delaware	76-0575872	None
Mid-States Electric Company, Inc.	117 North Conalco Drive Jackson, Tennessee 38301	Corporation	Delaware	62-1746956	None
Mills Electric LP	2525 Walnut Hill Lane Dallas, Texas 75229	Limited Partnership	Texas	52-2095984	Mills Electrical Contractors
Mitchell Electric Company, Inc.	7138 North 110th Avenue Glendale, Arizona 85307-2800	Corporation	Arizona	86-0141057	None
Murray Electrical Contractors, Inc.	2250 Aviation Drive Roseburg, Oregon 97470	Corporation	Delaware	74-2913067	None
Neal Electric LP	1608 Royston Lane Building 2 Round Rock, Texas 78664	Limited Partnership	Texas	76-0657784	None
Newcomb Electric Company, Inc.	2708 Shenandoah Avenue Roanoke, Virginia 24017	Corporation	Delaware	76-0611653	None
New Technology Electrical Contractors, Inc.	20811 NW Cornell Road Suite 400 Hillsboro, Oregon 97124-5611	Corporation	Delaware	74-2918933	New Tech Electric New Tech Services Data Tech Communications Bachofner Electric-Oregon Bachofner Datacomm, Inc.
Pan American Electric, Inc.	1300 Fort Negley Boulevard Nashville, Tennessee 37203	Corporation	Tennessee	62-0985675	None
Paulin Electric Company, Inc.	8803 National Turnpike Fairdale, Kentucky 40118	Corporation	Delaware	74-2879154	Paulin Electric Woods Electric Hanan Electric
Pollock Summit Electric LP	6510 Burgeois Road Houston, TX 77066	Limited Partnership	Texas	76-0569180	T&O Controls Pollock Summit Electric
PrimeNet, Inc.	220 Eighth Avenue NW Glen Burnie, Maryland 21061	Corporation	Delaware	74-2902100	None
Primo Electric Company	220 Eighth Avenue NW Glen Burnie, Maryland 21061	Corporation	Delaware	74-2902099	B&D Electric, Inc. PrimeNet

PRINCIPAL	PRINCIPAL PLACE OF BUSINESS/CHIEF EXECUTIVE OFFICE (Six Months and Current)	TYPE OF ENTITY	STATE OF FORMATION/REGISTRATION	TAX I.D. NUMBER	TRADE NAME (Past Six Months)
Raines Electric LP	2525 Walnut Hill Lane Dallas, Texas 75229	Limited Partnership	Texas	52-2132532	Raines Electrical Contractors
Riviera Electric, LLC	5001 South Zuni Littleton, Colorado 80120	Limited Liability Company	Delaware	03-0507360	Riviera Electric
Rodgers Electric Company, Inc.	1611 East Marine View Drive Everett, Washington 98201	Corporation	Washington	91-1004905	None
Ron's Electric, Inc.	2017 Demers Avenue Grand Forks, North Dakota 58201	Corporation	Delaware	74-2925506	IES-North Plains
Tesla Power and Automation, L.P.	6510 Bourgeois Houston, Texas 77066	Limited Partnership	Texas	76-0592351	
Thomas Popp & Company	10152 International Blvd. Cincinnati, Ohio 45246	Corporation	Ohio	31-1112666	None
Valentine Electrical, Inc.	104 Green Chimneys Court Ashland, Virginia 23005	Corporation	Delaware	74-2916344	Valentine Communications

INDEMNITORS

<u>INDEMNITOR</u>	<u>PRINCIPAL PLACE OF BUSINESS/CHIEF EXECUTIVE OFFICE (Six Months and Current)</u>	<u>TYPE OF ENTITY</u>	<u>STATE OF FORMATION/REGISTRATION</u>	<u>TAX I.D. NUMBER</u>	<u>TRADE NAME (Past Six Months)</u>
Integrated Electrical Services, Inc.	1800 West Loop South, Suite 500 Houston, Texas 77027	Corporation	Delaware	76-0542208	IES
Aladdin Ward Electric & Air, Inc.	7011 15th Street East Sarasota, Florida 34243	Corporation	Florida	59-2137098	None
Amber Electric, Inc.	630 Kissimmee Avenue Ocoee, Florida 34761	Corporation	Florida	59-1888807	None
ARC Electric, Incorporated	500 Woodlake Drive Suite 105 Chesapeake, Virginia 23320	Corporation	Delaware	76-0581695	ARC Electric
Bachofner Electric, Inc.	20811 NW Cornell Road, Suite 400 Hillsboro, Oregon 97124	Corporation	Delaware	76-0593514	PrimeNet None
Bexar Electric Company, Ltd.	6223 IH 10 West San Antonio, Texas 78201	Limited Partnership	Texas	74-2767532	Bexar Electric Company Galbraith Electric Bexar Communications None
Bryant Electric Company, Inc.	215 Balfour Drive Archdale, North Carolina 27263-3117	Corporation	North Carolina	56-0154780	None
Commercial Electrical Contractors, Inc.	975 Millbury Street Worcester, Massachusetts 01607	Corporation	Delaware	76-0587343	Commercial Communications Advantage Controls None
Cross State Electric, Inc.	2445 Railroad Street Corona, California 92880-5419	Corporation	California	95-3657116	None
Daniel Electrical Contractors, Inc.	5965 NW 82nd Avenue Miami, Florida 33166	Corporation	Florida	59-2622624	Daniel Electrical Daniel Electrical of West Palm Beach Daniel Electrical – Treasure Coast East Coast Electric Collier Electric Collier-Daniel Electric

EXHIBIT B

INDEMNITOR	PRINCIPAL PLACE OF BUSINESS/CHIEF EXECUTIVE OFFICE (Six Months and Current)	TYPE OF ENTITY	STATE OF FORMATION/REGISTRATION	TAX I.D. NUMBER	TRADE NAME (Past Six Months)
Davis Electrical Constructors, Inc.	429 N. Main Street Greenville, South Carolina 29601	Corporation	South Carolina	57-0474303	Davis International, a division of Davis Electrical Constructors, Inc.
Electro-Tech, Inc.	1235 Coney Island Drive Sparks, Nevada 89431-6035	Corporation	Nevada	88-0200302	Davis Constructors Electro-Tech of Nevada
Federal Communications Group, Inc.	2328 West Huntington Drive Tempe, Arizona 85282	Corporation	Delaware	85-0461441	Apex Tele-Communications Training Solutions
Hatfield Reynolds Electric Company	945 West Deer Valley Road, Suite 1 Phoenix, Arizona 85027	Corporation	Arizona	86-0565738	Hatfield Reynolds Electric
Haymaker Electric, Ltd.	2928 6th Avenue South Birmingham, Alabama 35233-2902	Limited Partnership	Alabama	63-1080688	None
Houston-Stafford Electrical Contractors LP	10203 Mula Circle Stafford, Texas 77477	Limited Partnership	Texas	52-2095983	Houston Stafford Electric HSE Electrical Contractors HSE Alarm Systems HSE Special Systems Austin-Stafford Electric Copious Technologies
J.W. Gray Electrical Contractors LP	6510 Burgeois Road Houston, TX 77066	Limited Partnership	Texas	52-2097983	HSE Electrical Services Gray Electric SecurePro Alarm Systems
Kayton Electric, Inc.	120 South Lincoln Street Holdrege, Nebraska 68949	Corporation	Nebraska	47-0623159	IES Multifamily Resources None

INDEMNITOR	PRINCIPAL PLACE OF BUSINESS/CHIEF EXECUTIVE OFFICE (Six Months and Current)	TYPE OF ENTITY	STATE OF FORMATION/REGISTRATION	TAX I.D. NUMBER	TRADE NAME (Past Six Months)
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Menninga Electric, Inc.	905 West 8th Street Pella, Iowa 50219	Corporation	Delaware	76-0575872	None
Mid-States Electric Company, Inc.	117 North Conalco Drive Jackson, Tennessee 38301	Corporation	Delaware	62-1746956	None
Mills Electric LP	2525 Walnut Hill Lane Dallas, Texas 75229	Limited Partnership	Texas	52-2095984	Mills Electrical Contractors
Mitchell Electric Company, Inc.	7138 North 110th Avenue Glendale, Arizona 85307-2800	Corporation	Arizona	86-0141057	None
Murray Electrical Contractors, Inc.	2250 Aviation Drive Roseburg, Oregon 97470	Corporation	Delaware	74-2913067	None
Neal Electric LP	1608 Royston Lane Building 2 Round Rock, Texas 78664	Limited Partnership	Texas	76-0657784	None
Newcomb Electric Company, Inc.	2708 Shenandoah Avenue Roanoke, Virginia 24017	Corporation	Delaware	76-0611653	None
New Technology Electrical Contractors, Inc.	20811 NW Cornell Road Suite 400 Hillsboro, Oregon 97124-5611	Corporation	Delaware	74-2918933	New Tech Electric New Tech Services Data Tech Communications Bachofner Electric-Oregon Bachofner Datacomm, Inc. None
Pan American Electric, Inc.	1300 Fort Negley Boulevard Nashville, Tennessee 37203	Corporation	Tennessee	62-0985675	None
Paulin Electric Company, Inc.	8803 National Turnpike Fairdale, Kentucky 40118	Corporation	Delaware	74-2879154	Paulin Electric Woods Electric Hanan Electric
Pollock Summit Electric LP	6510 Bourgeois Road Houston, TX 77066	Limited Partnership	Texas	76-0569180	T&O Controls Pollock Summit Electric
PrimeNet, Inc.	220 Eighth Avenue NW Glen Burnie, Maryland 21061	Corporation	Delaware	74-2902100	None
Primo Electric Company	220 Eighth Avenue NW Glen Burnie, Maryland 21061	Corporation	Delaware	74-2902099	B&D Electric, Inc. PrimeNet

INDEMNITOR	PRINCIPAL PLACE OF BUSINESS/CHIEF EXECUTIVE OFFICE (Six Months and Current)	TYPE OF ENTITY	STATE OF FORMATION/REGISTRATION	TAX I.D. NUMBER	TRADE NAME (Past Six Months)
Raines Electric LP	2525 Walnut Hill Lane Dallas, Texas 75229	Limited Partnership	Texas	52-2132532	Raines Electrical Contractors
Riviera Electric, LLC	5001 South Zuni Littleton, Colorado 80120	Limited Liability Company	Delaware	03-0507360	Riviera Electric
Rodgers Electric Company, Inc.	1611 East Marine View Drive Everett, Washington 98201	Corporation	Washington	91-1004905	None
Ron's Electric, Inc.	2017 Demers Avenue Grand Forks, North Dakota 58201	Corporation	Delaware	74-2925506	IES-North Plains
Tesla Power and Automation, L.P.	6510 Bourgeois Houston, Texas 77066	Limited Partnership	Texas	76-0592351	
Thomas Popp & Company	10152 International Blvd. Cincinnati, Ohio 45246	Corporation	Ohio	31-1112666	None
Valentine Electrical, Inc.	104 Green Chimneys Court Ashland, Virginia 23005	Corporation	Delaware	74-2916344	Valentine Communications

ADDITIONAL PERMITTED LIENS

None

EXHIBIT C

DEBT INSTRUMENTS

1. Loan and Security Agreement dated May 12, 2006, among Integrated Electrical Services, Inc., certain of its subsidiaries, the lenders named therein and Bank of America, N.A. as collateral and administrative agent, as it may be amended, modified or supplemented from time to time prior to the date hereof.
2. Term Loan Agreement dated May 12, 2006, among Integrated Electrical Services, Inc., as it may be amended, modified or supplemented from time to time, certain lenders from time to time party thereto and Wilmington Trust Company, as administrative agent.

EXHIBIT D

REGISTRATION RIGHTS AGREEMENT

Registration Rights Agreement, dated as of May 12, 2006, by and among Integrated Electrical Services, Inc., a Delaware corporation ("Company"), and the stockholders signatories hereto.

WITNESSETH:

WHEREAS, this Agreement is being entered into in connection with the acquisition of Common Stock (as hereinafter defined) on or after the Effective Date (as hereinafter defined) by Holders pursuant to the Plan (as hereinafter defined);

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained, it is agreed as follows:

1. **Definitions.** Unless otherwise defined herein, capitalized terms used herein and in the recitals above shall have the following meanings:

"**Additional Holders**" shall mean the Permitted Assignees of Registrable Securities who, from time to time, acquire Registrable Securities from a Holder or Holders and own Registrable Securities at the relevant time, agree to be bound by the terms hereof and become Holders for purposes of this Agreement.

"**Affiliate**" of a Person shall mean any Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such other Person. For purposes of this definition, "control" shall mean the ability of one Person to direct the management and policies of another Person.

"**Agreement**" shall mean this Registration Rights Agreement, including all amendments, modifications and supplements and any exhibits or schedules to any of the foregoing, and shall refer to the Agreement as the same may be in effect at the time such reference becomes operative.

"**Business Day**" shall mean any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of New York.

"**Commission**" shall mean the Securities and Exchange Commission or any other federal agency then administering the Securities Act and other federal securities laws.

"**Common Stock**" shall mean the shares of common stock, \$.01 par value per share, of Company, as adjusted to reflect any merger, consolidation, recapitalization, reclassification, split-up, stock dividend, rights offering or reverse stock split made, declared or effected with respect to the Common Stock.

"**Company**" shall have the meaning assigned to such term in the preamble.

“Demand Registration” shall have the meaning assigned to such term in Section 2(b) hereof.

“Effective Date” means the effective date of the Plan pursuant to the terms thereof.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect from time to time.

“Holder” shall mean any (i) Person who owns Registrable Securities on the Effective Date and is a party to this Agreement or (ii) any Additional Holder.

“Majority Holders” shall mean Holders holding at the time, shares of Registrable Securities representing more than 50% of the then outstanding Registrable Securities.

“Permitted Assignee” shall mean any (a) Affiliate of any Holder who acquires Registrable Securities from such Holder, or its Affiliates, or (b) any other Person who acquires any Registrable Securities of any Holder or Holders who is designated as a Permitted Assignee by such Holder in a written notice to Company; provided, however, that the rights of any Person designated as a Permitted Assignee referred to in the foregoing clause (b) shall be limited if, and to the extent, provided in such notice.

“Person” shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

“Plan” shall mean the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code of Company and certain of its subsidiaries, dated March 17, 2006, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof.

“Registrable Securities” shall mean the Common Stock of Company owned by the Holders as of the date hereof or at any time in the future; and, if as a result of any reclassification, stock dividends or stock splits or in connection with a combination of shares, recapitalization, merger, consolidation, sale of all or substantially all of the assets of Company or other reorganization or other transaction or event, any capital stock, evidence of indebtedness, warrants, options, rights or other securities (collectively “Other Securities”) are issued or transferred to a Holder in respect of Registrable Securities held by the Holder, references herein to Registrable Securities shall be deemed to include such Other Securities; provided, however, that a share of Common Stock will cease to be a Registrable Security if (a) a registration statement covering such share of Common Stock has been declared effective by the Commission and such share of Common Stock has been sold or disposed of pursuant to such effective registration

statement, or (b) such share of Common Stock has been sold or disposed of pursuant to Rule 144 (or any successor rule) under the Securities Act; or (c) such share of Common Stock is eligible for resale pursuant to Rule 144(k); or (d) such share of Common Stock is eligible for resale pursuant to Rule 144 and the Holder thereof does not then beneficially own more than 1% of such class of securities; or (e) such share of Common Stock has been Transferred to a Person who is not (and does not become as a result of such Transfer) a Holder; or (f) such share of Common Stock is held by the Company or any of its subsidiaries; or (g) such share of Common Stock ceases to be outstanding.

“Securities Act” shall mean the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect from time to time.

“Shelf Registration” means a registration effected pursuant to Section 2(a) hereof.

“Shelf Registration Statement” means a “shelf” registration statement of Company relating to a “shelf” offering in accordance with Rule 415 of the Securities Act, or any similar rule that may be adopted by the Commission, pursuant to the provisions of Section 2(a) hereof which covers all of the Registrable Securities held by the Holders (other than any Holder that unreasonably fails to furnish to Company in writing (within 10 days of request thereafter) such information required in connection with such registration regarding such Holder and the distribution of such Holder’s Registrable Securities), on an appropriate form under the Securities Act, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

2. Required Registration.

(a) After Company’s receipt of a written request from the Holders of Registrable Securities holding at least 10% of the Registrable Securities outstanding as of the Effective Date to effect a Shelf Registration, and subject to Section 7(c), Company shall use commercially reasonable efforts to cause a Shelf Registration Statement to be filed and declared effective by the Commission within 120 days after the date of such request. Each Holder as to which any Shelf Registration is being effected agrees to furnish to Company all information with respect to such Holder necessary to make any information previously furnished to Company by such Holder not misleading. Company agrees to use commercially reasonable efforts to keep the Shelf Registration Statement continuously effective until the earliest to occur of (i) the expiration of two years from the date the Commission declares the Shelf Registration Statement effective, (ii) the day after the date on which all Registrable Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement or (iii) the first date on which there shall cease to be any Registrable Securities covered by the Shelf Registration Statement. Company further agrees, if necessary, to promptly supplement or amend the Shelf Registration Statement, if required by the rules,

regulations or instructions applicable to the registration form used by Company for such Shelf Registration Statement or by the Securities Act or by any other rules and regulations thereunder for shelf registrations, and Company agrees to furnish to the Holders of Registrable Securities copies of any such supplement or amendment promptly after its being used or filed with the Commission.

(b) At any time the Shelf Registration Statement is not effective (other than a temporary suspension of effectiveness, for a period not exceeding 90 days, due to any stop order, injunction or other requirement of the Commission or other governmental agency or court applicable to the Shelf Registration Statement) and after receipt of a written request from the Holders of at least 10% of the Registrable Securities then outstanding requesting that Company effect a registration under the Securities Act covering such Registrable Securities (a "Demand Registration"), and specifying the intended method or methods of disposition thereof, Company shall promptly notify all Holders in writing of the receipt of such request and each such Holder, in lieu of exercising its rights under Section 3 may elect (by written notice sent to Company within 10 Business Days from the date of the aforementioned Company's notice) to have Registrable Securities included in such Demand Registration thereof pursuant to this Section 2. Thereupon Company shall, as expeditiously as is possible, use its commercially reasonable efforts to effect the registration under the Securities Act of all shares of Registrable Securities which Company has been so requested to register by such Holders for sale, all to the extent required to permit the disposition (in accordance with the intended method or methods thereof, as aforesaid) of the Registrable Securities so registered; provided, however, that Company shall not be required to effect more than two (2) registrations of any Registrable Securities pursuant to this Section 2 unless Company shall be eligible at any time to file a registration statement on Form S-3 (or other comparable short form) under the Securities Act, in which event there shall be no limit on the number of such registrations pursuant to this Section 2.

(c) A registration will not count as a Demand Registration until it has become effective (unless the requesting Holders withdraw all their Registrable Securities and Company has performed its obligations hereunder in all material respects, in which case such demand will count as a Demand Registration unless the requesting Holders pay all registration expense in connection with such withdrawn registration); provided, however, that if, after it has become effective, an offering of Registrable Securities pursuant to a registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court (other than because of a violation of applicable law by a Holder) and remains in effect for more than 90 days or is withdrawn because of any development affecting Company, such registration will be deemed not to have been effected and will not count as a Demand Registration.

(d) If the managing underwriter of a Demand Registration shall advise Company in writing that, in its opinion, the distribution of the Registrable Securities requested to be included in the Demand Registration would materially and adversely affect the distribution of such Registrable Securities, then all selling Holders

shall reduce the amount of Registrable Securities each intended to distribute through such offering on a *pro-rata* basis.

3. Incidental Registration. If Company at any time proposes to file on its behalf and/or on behalf of any of its security holders (the “demanding security holders”) a registration statement under the Securities Act on any form (other than a registration statement on Form S-4 or S-8 or any successor form for securities to be offered in a transaction of the type referred to in Rule 145 under the Securities Act or in connection with an exchange offer, or to employees of Company pursuant to any employee benefit plan, respectively) for the general registration of securities, it will give written notice to all Holders at least 30 days before the initial filing with the Commission of such registration statement, which notice shall set forth the intended method of disposition of the securities proposed to be registered by Company. The notice shall offer to include in such filing the aggregate number of shares of Registrable Securities as such Holders may request.

Each Holder desiring to have Registrable Securities registered under this Section 3 shall advise Company in writing within 10 Business Days after the date of such offer from Company, setting forth the amount of such Registrable Securities for which registration is requested. Company shall thereupon include in such filing the number of shares of Registrable Securities for which registration is so requested, subject to the next sentence, and shall use its commercially reasonable efforts to effect registration under the Securities Act of such shares. If the managing underwriter of a proposed public offering shall advise Company in writing that, in its opinion, the distribution of the Registrable Securities requested to be included in the registration concurrently with the securities being registered by Company or such demanding security holder would materially and adversely affect the distribution of such securities by Company or such demanding security holder, then all selling security holders (including the demanding security holder who initially requested such registration) shall reduce the amount of securities each intended to distribute through such offering on a *pro-rata* basis. Except as otherwise provided in Section 5, all expenses of such registration shall be borne by Company.

4. Registration Procedures. If Company is required by the provisions of Section 2 or 3 to use its commercially reasonable efforts to effect the registration of any of its securities under the Securities Act, Company will, as expeditiously as possible:

(a) prepare and file with the Commission a registration statement with respect to such securities and use its commercially reasonable efforts to cause such registration statement to become and remain effective for a period of time required for the disposition of such securities by the holders thereof, but not to exceed 180 days (other than the Shelf Registration Statement which shall be kept effective for such period as provided in Section 2(a)); provided, however, that Company may discontinue any registration of its securities that cease to be shares of Registrable Securities;

(b) prepare and file with the Commission 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 and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all securities covered by such registration statement until the earlier of such time as all of such securities have been disposed of in a public offering or the expiration of 180 days (other than the Shelf Registration Statement which shall be kept effective for such period as provided in Section 2(a)); provided, however, that Company may discontinue any registration of its securities that cease to be shares of Registrable Securities;

(c) furnish to such selling security holders such number of copies of a summary prospectus or other prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents, as such selling security holders may reasonably request;

(d) use its commercially reasonable efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions within the United States as each holder of such securities shall request (provided, however, that Company shall not be obligated to qualify as a foreign corporation to do business under the laws of any jurisdiction in which it is not then qualified, to subject itself to taxation in such jurisdiction or to file any general consent to service or process), and do such other reasonable acts and things as may be required of it to enable such holder to consummate the disposition in such jurisdiction of the securities covered by such registration statement;

(e) promptly notify each Holder whose Registrable Securities are intended to be covered by such registration statement and each underwriter and, if requested by any such Person, confirm such notice in writing (i) when a prospectus or any prospectus supplement or post-effective amendment has been filed and, with respect to a registration statement or any post-effective amendment, when the same has become effective, (ii) of the issuance by any state securities or other regulatory authority of any order suspending the qualification or exemption from qualification of any of the Registrable Securities under state securities or "blue sky" laws or the initiation of any proceedings for that purpose, (iii) any request by the Commission for the amending or supplementing of such registration statement or prospectus or for additional information; and (iv) of the happening of any event which requires the making of any changes in such registration statement or prospectus so that they will not contain any untrue statement of a material fact or omit to state any 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, and, as promptly as practicable thereafter, prepare and file with the Commission and furnish a supplement or amendment to such prospectus so that, as thereafter deliverable to the purchasers of such Registrable Securities, such prospectus will not contain any untrue statement of a material fact or omit a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and in the case of this clause (iv) the time period during which

such registration statement is required to remain effective shall be extended for the time period during which such prospectus is so suspended;

(f) use commercially reasonable efforts to obtain and, if obtained, furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to Section 2, on the date that such shares of Registrable Securities are delivered to the underwriters for sale pursuant to such registration or, if such Registrable Securities are not being sold through underwriters, on the date that the registration statement with respect to such shares of Registrable Securities becomes effective, (1) an opinion, dated such date, of the independent counsel representing Company for the purposes of such registration, addressed to the underwriters, if any, and if such Registrable Securities are not being sold through underwriters, then to the Holders making such request, in customary form and covering matters of the type customarily covered in such legal opinions; and (2) a comfort letter dated such date, from the independent certified public accountants of Company, addressed to the underwriters, if any, and if such Registrable Securities are not being sold through underwriters, then to the Holder making such request and, if such accountants refuse to deliver such letter to such Holder, then to Company, in a customary form and covering matters of the type customarily covered by such comfort letters and as the underwriters or such Holder shall reasonably request. Such opinion of counsel shall additionally cover such other legal matters with respect to the registration in respect of which such opinion is being given as such Holders may reasonably request. Such letter from the independent certified public accountants shall additionally cover such other financial matters (including information as to the period ending not more than five Business Days prior to the date of such letter) with respect to the registration in respect of which such letter is being given as the Holders of a majority of the Registrable Securities being so registered may reasonably request;

(g) enter into customary agreements (including an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities; and

(h) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, but not later than 18 months after the effective date of the registration statement, an earnings statement covering the period of at least 12 months beginning with the first full month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act.

It shall be a condition precedent to the obligation of Company to take any action pursuant to this Agreement in respect of the securities which are to be registered at the request of any Holder that such Holder shall furnish to Company such information regarding the securities held by such Holder and the intended method of disposition thereof as Company shall reasonably request and as shall be required in connection with the action taken by Company.

Each Holder agrees that, upon receipt of any notice from Company of the happening of any event of the kind described in Section 4(e)(iv), such Holder shall immediately discontinue such Holder's disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 4(e)(iv).

5. Expenses. All expenses incurred in complying with this Agreement, including, without limitation, all registration and filing fees (including all expenses incident to filing with any stock exchange or the National Association of Securities Dealers, Inc.), printing expenses, fees and disbursements of counsel for Company, the reasonable fees and expenses of one counsel for the selling security holders (selected by those holding a majority of the shares being registered), expenses of any special audits incident to or required by any such registration and expenses of complying with the securities or blue sky laws of any jurisdiction pursuant to Section 4(d), shall be paid by Company, except that:

(a) all such expenses in connection with any amendment or supplement to the registration statement or prospectus filed more than 180 days after the effective date of such registration statement because any Holder has not effected the disposition of the securities requested to be registered shall be paid by such Holder; and

(b) Company shall not be liable for any fees, discounts or commissions to any underwriter or any fees or disbursements of counsel for any underwriter or any applicable transfer taxes in respect of the securities sold by such Holder.

6. Indemnification and Contribution.

(a) In the event of any registration of any Registrable Securities under the Securities Act pursuant to this Agreement, Company shall indemnify and hold harmless to the fullest extent permitted by law the Holder of such Registrable Securities, such Holder's directors and officers, and each other person (including each underwriter) who participated in the offering of such Registrable Securities and each other person, if any, who controls such Holder or such participating person within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such Holder or any such director or officer or participating person or controlling person may become subject under the Securities Act or any other statute or at common law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any alleged untrue statement of any material fact contained, on the effective date thereof, in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or (ii) any alleged omission to state therein 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, and shall reimburse such Holder or such director, officer or participating

person or controlling person for any legal or any other expenses reasonably incurred by such Holder or such director, officer or participating person or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any actual or alleged untrue statement or actual or alleged omission made in such registration statement, preliminary prospectus, prospectus or amendment or supplement in reliance upon and in conformity with written information furnished to Company by such Holder specifically for use therein or (in the case of any registration pursuant to Section 2) so furnished for such purposes by any underwriter. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder or such director, officer or participating person or controlling person, and shall survive the transfer of such securities by such Holder.

(b) Each Holder, by acceptance hereof, agrees to indemnify and hold harmless to the fullest extent permitted by law, Company, its directors and officers and each other person, if any, who controls Company within the meaning of the Securities Act against any losses, claims, damages or liabilities, joint or several, to which Company or any such director or officer or any such person may become subject under the Securities Act or any other statute or at common law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon information provided in writing to Company by such Holder specifically for use and contained in any registration statement under which securities were registered under the Securities Act at the request of such Holder, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto. Notwithstanding the provisions of this paragraph (b) or paragraph (d) below, no Holder shall be required to indemnify any person pursuant to this Section 6 or to contribute pursuant to paragraph (d) below in an amount in excess of the amount of the aggregate net proceeds received by such Holder in connection with any such registration under the Securities Act.

(c) Any Person entitled to indemnification hereunder will (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that the failure to give such notice shall not limit the rights of such Person, except to the extent the indemnifying party is actually prejudiced thereby) and (ii) unless in such indemnified party's 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; provided, however, that any person entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person unless (A) the indemnifying party has agreed to pay such fees or expenses or (B) the indemnifying party shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such Person. If such defense is not assumed by the indemnifying party as permitted hereunder, the indemnifying party will not be subject to any liability for any settlement made by the

indemnified party without its consent (but such consent will not be unreasonably withheld or delayed). If such defense is assumed by the indemnifying party pursuant to the provisions hereof, such indemnifying party shall not settle or otherwise compromise the applicable claim unless (i) such settlement or compromise contains a full and unconditional release of the indemnified party or (ii) the indemnified party otherwise consents in writing, which consent shall not be unreasonably withheld or delayed. An indemnifying party who is not entitled to, 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, in which event the indemnifying party shall be obligated to pay the reasonable fees and disbursements of such additional counsel or counsels.

(d) If the indemnification provided for in this Section 6 from the indemnifying party is unavailable to an indemnified party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified parties in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such indemnifying party or indemnified parties, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by *pro-rata* allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

7. Certain Limitations on Registration Rights. Notwithstanding the other provisions of this Agreement:

- (a) Company shall not be obligated to register the Registrable Securities of any Holder if, in the opinion of counsel to Company reasonably satisfactory

to the Holder and its counsel (or, if the Holder has engaged an investment banking firm, to such investment banking firm and its counsel), the sale or other disposition of such Holder's Registrable Securities, in the manner proposed by such Holder (or by such investment banking firm), may be effected without registering such Registrable Securities under the Securities Act; and

(b) Company shall not be obligated to register the Registrable Securities of any Holder pursuant to Section 2 if Company has had a registration statement, under which such Holder had a right to have its Registrable Securities included pursuant to Section 2 or 3, declared effective within six months prior to the date of the request pursuant to Section 2; provided, however, that if any Holder elected to have shares of its Registrable Securities included under such registration statement but some or all of such shares were excluded pursuant to the penultimate sentence of Section 3, then such six-month period shall be reduced to three months.

(c) Company shall have the right to delay the filing or effectiveness of a registration statement required pursuant to Section 2 hereof or to suspend any Holder's rights to make sales pursuant to any effective registration statement during one or more periods aggregating not more than 120 days in any twelve-month period in the event that (i) Company would, in accordance with the advice of its counsel, be required to disclose in the prospectus information not otherwise then required by law to be publicly disclosed and (ii) in the judgment of Company's board of directors, there is a reasonable likelihood that such disclosure, or any other action to be taken in connection with the prospectus, would materially and adversely affect any existing or prospective material business situation, transaction or negotiation or otherwise materially and adversely affect Company.

8. Selection of Managing Underwriters. The managing underwriter or underwriters for any offering of Registrable Securities to be registered pursuant to Section 2 shall be selected by the holders of a majority of the Registrable Securities being so registered and shall be reasonably acceptable to Company.

9. Interpretive Matters. Unless otherwise expressly provided or the context otherwise requires, for purposes of this Agreement the following rules of interpretation apply:

(a) When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period is excluded. If the last day of such period is a non-Business Day, the period in question ends on the next succeeding Business Day.

(b) Any reference in this Agreement to gender includes all genders, and words imparting the singular number also include the plural and vice versa.

(c) All references in this Agreement to any "Article," or "Section," are to the corresponding Article or Section of this Agreement.

(d) The words "herein," "hereinafter," "hereof," and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

(e) The word "including" or any variation thereof means "including, but not limited to," and does not limit any general statement that it follows to the specific or similar items or matters immediately following it.

10. Miscellaneous.

(a) No Inconsistent Agreements. Company will not hereafter enter into any agreement with respect to its securities which is inconsistent with the rights granted to the Holders in this Agreement. Except for the Registration Rights Agreement, dated November 24, 2004, by and among Company and the parties thereto, with respect to the Common Stock issuable upon conversion of Company's Senior Convertible Notes, Company has not previously entered into any agreement with respect to any of its securities granting any registration rights to any Person which is effective as of the date hereof.

(b) Remedies. Each Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate. In any action or proceeding brought to enforce any provision of this Agreement or where any provision hereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees in addition to any other available remedy.

(c) Amendments and Waivers. Except as otherwise provided herein, the provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departure from the provisions hereof may not be given unless Company has obtained the written consent of the Majority Holders; provided that if any such amendment, modification, supplement, waiver, consent or departure would adversely affect the rights, preferences or privileges of any Holder disproportionately with respect to the rights, preferences and privileges of the other Holders, such Holder's consent in writing shall be required.

(d) Notice Generally. Any notice, demand, request, consent, approval, declaration, delivery or other communication hereunder to be made pursuant to the provisions of this Agreement shall be sufficiently given or made if in writing and either delivered in person with receipt acknowledged or sent by registered or certified

mail, return receipt requested, postage prepaid, or by telecopy and confirmed by telecopy answerback, addressed as follows:

(i) If to any Holder, at its last known address appearing on the books of Company maintained for such purpose.

(ii) If to Company, at

Integrated Electronic Services, Inc.
1800 West Loop South
Suite 500
Houston, Texas 77027
Attention: General Counsel
Telecopy Number: (713) 780-1578

or at such other address as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Every notice, demand, request, consent, approval, declaration, delivery or other communication hereunder shall be deemed to have been duly given or served on the date on which personally delivered, with receipt acknowledged, telecopied and confirmed by telecopy answerback or three Business Days after the same shall have been deposited in the United States mail.

(e) Rule 144. So long as Company is subject to the reporting requirements under the Exchange Act, it shall comply with such requirements so as to permit sales of Registrable Securities by the holders thereof pursuant to Rule 144 under the Securities Act.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties hereto including any person to whom Registrable Securities are transferred and becomes an Additional Holder in accordance with this Agreement.

(g) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) Governing Law; Jurisdiction; Jury Waiver. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of New York without giving effect to the conflict of laws provisions thereof. Each of the parties hereby submits to non-exclusive personal jurisdiction and waives any objection as to venue in the County of New York, State of New York. Service of process on the parties in any action arising out of or relating to this Agreement shall be effective if mailed to the parties in accordance with Section 10(d) hereof. The parties hereto waive all right to trial by jury in any action or proceeding to enforce or defend any rights hereunder.

(i) Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

(j) Entire Agreement. This Agreement represents the complete agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. This Agreement supersedes all prior agreements and understandings between the parties with respect to the subject matter hereof.

(k) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts (including by facsimile), each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(l) Termination. Company's obligations under this Agreement shall cease with respect to any Person when such Person ceases to be a Holder. Notwithstanding the foregoing, Company's obligations under Section 5 and Section 6 shall survive in accordance with their terms.

(m) Holdback. Each Holder agrees, unless otherwise agreed to by the managing underwriter for any underwritten offering pursuant to this Agreement, and only if such Holder is participating in such offering, not to effect any sale or distribution of any equity securities of Company or securities convertible into or exchangeable or exercisable for equity securities of Company, including any sale under Rule 144 under the Securities Act, during the period commencing 10 days prior to the date on which an underwritten offering of Common Stock pursuant to Section 2 or 3 commences and until 90 days after the date on which a prospectus is filed with the Commission with respect to the pricing of such underwritten offering (or such shorter period as the underwriters may require), except as part of such underwritten offering or to the extent that such Holder is prohibited by applicable law from agreeing to withhold securities from sale or is acting in its capacity as a fiduciary or an investment adviser. A Holder that is prohibited by applicable law from agreeing to withhold securities from sale or is acting in its capacity as a fiduciary or an investment adviser shall, if requested by Company not more than 30 days before the commencement of such an underwritten offering, notify Company in writing of such prohibition at least 10 days before the commencement of such underwritten offering. Without limiting the scope of the term "fiduciary," a Holder shall be deemed to be acting as a fiduciary or an investment adviser if its actions or the securities proposed to be sold are subject to the Employee Retirement Income Security Act of 1974, as amended, the Investment Company Act of 1940, as amended, or the Investment Advisers Act of 1940, as amended, or if such securities are held in a separate account under applicable insurance law or regulation.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COMPANY

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ Curt L. Warnock
Name: Curt L. Warnock
Title: Senior Vice President

HOLDERS

TONTINE CAPITAL PARTNERS, L.P.
TONTINE PARTNERS, L.P.
TONTINE OVERSEAS ASSOCIATES, L.L.C.
JEFFREY L. GENDELL

By: /s/ Jeffrey L. Gendell
Jeffrey L. Gendell, individually,
and as managing member of
Tontine Capital Management, L.L.C.,
general partner of Tontine Capital Partners, L.P., and
as managing member of Tontine Management, L.L.C.,
general partner of Tontine Partners, L.P., and as
managing member of Tontine Overseas Associates, L.L.C.

SOUTHPOINT MASTER FUND, LP

By: Southpoint GP, LP, its general partner
By: Southpoint GP, LLC, its general partner

By: /s/ Robert W. Butts
Robert W. Butts, Member

[Signature Page to the Registration Rights Agreement]

INTEGRATED ELECTRICAL SERVICES, INC.
2006 EQUITY INCENTIVE PLAN
OPTION AWARD AGREEMENT

THIS OPTION AWARD AGREEMENT ("Agreement") is made and entered into as of _____ ("Grant Date") by and between Integrated Electrical Services, Inc., a Delaware corporation ("Company"), and _____ ("Optionee") pursuant to the terms and conditions of the Integrated Electrical Services, Inc. 2006 Equity Incentive Plan ("Plan").

SECTION 1. GRANT OF OPTION AWARD.

(a) **Option Award.** On the terms and conditions set forth in this Agreement and the Plan, the Company grants to the Optionee on the Grant Date an option to purchase a number of Shares at the Exercise Price, as set forth below. This option is intended to be a nonqualified stock option.

Tranche	Shares	Exercise Price	Vesting
			Set forth in Section 2 herein

(b) **Equity Incentive Plan and Defined Terms.** This option is granted under and subject to the terms of the Plan, which is incorporated herein by reference. If there is any inconsistency between the terms of the Plan and the terms of this Agreement, the Plan's terms shall supersede and replace the conflicting terms of this Agreement. Capitalized terms that are defined in the Plan are incorporated herein by reference and other capitalized terms are defined in Section 9 of this Agreement.

(c) **Exercisability.** Subject to the terms and conditions set forth in this Agreement and the Plan, this option or a portion thereof may be exercised (i) prior to its expiration and (ii) on or after the time this option or a portion thereof is vested pursuant to the vesting provisions set forth in Section 2 herein.

(d) **Scope of this Agreement.** This Agreement shall apply both to this option and to the Shares acquired upon the exercise of this option.

SECTION 2. VESTING

(a) This option shall vest according to the following schedule:

Tranche	Vesting Schedule

SECTION 3. TERM AND EXPIRATION.

(a) **Basic Term.** Subject to earlier termination as set forth herein, the exercise period of this option shall expire ten (10) years after the Grant Date (the "Term").

(b) **Termination of Service (except for Cause).** In the event Optionee's Service terminates for any reason other than for Cause, then this option to the extent vested as of the date of such termination shall expire on the earliest of: (i) the expiration of the Term, (ii) twelve (12) months following such termination date as a result of death or Disability, and (iii) three (3) months following such termination date for any other reason. This option to the extent unvested as of the date of such termination shall immediately expire and lapse upon such termination.

(c) **Termination of Service (for Cause).** In the event Optionee's Service is terminated for Cause or Cause exists on the date Optionee's Service terminates, then this option on the date of such termination (whether vested or unvested and including any exercised portion of this option for which Shares have not been delivered to the Optionee) shall be cancelled and forfeited immediately on the date of such termination, and the Company shall return to the Optionee the price (if any) paid for such undelivered Shares. Should the Optionee die or have a Disability at a time when Cause exists but prior to the date the Optionee's Service is terminated for Cause, this option on the date of such termination (whether vested or unvested and including any exercised portion of this option for which Shares have not been delivered to the Optionee) shall be cancelled and forfeited immediately as of the date of the Optionee's death or Disability and the Company shall return to the Optionee or Eligible Representative, as applicable, the price (if any) paid for such undelivered Shares.

SECTION 4. TRANSFER OR ASSIGNMENT OF OPTION.

This option may not be transferred, assigned, pledged or hypothecated by any Optionee during the Optionee's lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process, except by beneficiary designation, will or the laws of descent and distribution. Subject to the limitations contained herein, this option may be exercised during the lifetime of the Optionee only by the Optionee or by the Optionee's Eligible Representative. This option shall not be transferable, except in the case of a transfer by the Optionee with the prior written consent of the Committee in its sole discretion.

SECTION 5. EXERCISE.

(a) **Exercise Procedure.** An exercisable option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company of all of the following prior to the time when this option or such portion expires or is otherwise cancelled under the Plan or the Agreement:

- (i) Notice in writing signed by the holder or his or her Eligible Representative, stating that this option or portion thereof is exercised, and specifically stating the number of Shares with respect to which this option or a portion thereof is being exercised;

- (ii) Full payment of the aggregate exercise price of the Shares with respect to which this option (or portion thereof) is thereby exercised in accordance with any method prescribed by Section 6 herein;
- (iii) The payment to the Company of all amounts necessary to satisfy any and all federal, state and local tax withholding requirements arising in connection with the exercise of this option (or a portion thereof) in accordance with any method prescribed by the Plan and this Agreement; and
- (iv) Such representations and documents as the Committee deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal or state securities laws or regulations. The Committee may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer orders to transfer agents and registrars.

In the event that this option or portion thereof shall be exercised pursuant to this Section 5 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise this option or portion thereof shall be provided to the Company as a condition to such exercise.

(b) **Issuance of Shares.** After completing the procedures set forth in Section 5, the Company shall cause to be issued a certificate or certificates for the Shares as to which this option or a portion thereof has been exercised, registered in the name of the person exercising this option or a portion thereof (or in the names of such person and his or her spouse as community property or as joint tenants with right of survivorship).

(c) **Withholding Requirements.** As a condition to the receipt or purchase of Shares pursuant to this option, Optionee shall make such arrangements as the Committee may require for the satisfaction of any federal, state, local or foreign withholding obligations that may arise in connection with such receipt or purchase. The Optionee shall also make such arrangements as the Committee may require for the satisfaction of any federal, state, local or foreign withholding obligations that may arise in connection with the disposition of Shares acquired pursuant to this option.

SECTION 6. PAYMENT FOR SHARES

(a) **Cash or Check.** All or part of the Exercise Price and any applicable withholding requirements may be paid in cash or by check.

(b) **Alternative Methods of Payment.** All or any part of the Exercise Price and any applicable withholding requirements may be paid by one or more of the following methods:

(i) **Surrender of Shares.** At the discretion of the Optionee, all or any part of the Exercise Price and any applicable withholding requirements may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall

be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value on the date when the option or a portion thereof is exercised. Notwithstanding the foregoing, the Optionee shall not surrender, or attest to the ownership of, Shares in payment of any portion of the Exercise Price (or withholding) if such action would cause the Company or any Subsidiary to recognize an additional compensation expense with respect to the option for financial reporting purposes, unless the Committee consents thereto.

(ii) **Net Exercise.** At the discretion of the Optionee, payment of all or any portion of the Exercise Price and any applicable withholding requirements may be made by reducing the number of Shares otherwise deliverable pursuant to the option by the number of such Shares having a Fair Market Value equal to the Exercise Price and any applicable withholding requirement. Notwithstanding the foregoing, the Optionee shall not be permitted to pay any portion of the Exercise Price (or withholding) in such manner if such action would cause the Company or any Subsidiary to recognize an additional compensation expense with respect to the option for financial reporting purposes unless the Committee consents thereto.

(iii) **Exercise/Sale.** Payment may be made in whole or in part by the delivery (on a form prescribed by the Company) of an irrevocable direction (i) to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company, or (ii) to pledge Shares to a securities broker or lender approved by the Company as security for a loan, and to deliver all or part of the loan proceeds to the Company, in each case in payment of all or part of the Exercise Price and any withholding requirements.

Should the Committee exercise its discretion to permit the Optionee to exercise this option in whole or in part in accordance with this Section 6(b) above, it shall have no obligation to permit such alternative exercise with respect to the remainder of this option or with respect to any other option to purchase Shares held by the Optionee.

SECTION 7. ADJUSTMENT OF SHARES.

In the event of a Recapitalization, an adjustment shall be made to this option such that the option shall thereafter be exercisable or payable, as the case may be, in such securities, cash and/or other property as would have been received in respect of Shares subject to the option had the option been exercised immediately prior to such Recapitalization and such an adjustment shall be made successively each time any such change shall occur. In addition, in the event of any Recapitalization, to prevent dilution or enlargement of Optionee's rights hereunder, the Committee shall, and will have the authority to adjust, in a fair and equitable manner, the Exercise Price and the number and kind of shares subject to this option. Should the vesting of this option be conditioned upon the Company's attainment of performance conditions, the Committee may make such adjustments to such terms and conditions of this option and the criteria therein to recognize unusual and nonrecurring events affecting the Company or in response to changes in applicable laws, regulations or accounting principles.

SECTION 8. MISCELLANEOUS PROVISIONS.

- (a) **Notification.** Any notification required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery or upon deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid. A notice shall be addressed to the Company at its principal executive office and to the Optionee at the address that he or she most recently provided to the Company.
- (b) **Rights as a Shareholder.** Neither the Optionee nor the Optionee's representative shall have any rights as a shareholder with respect to any Shares subject to this option until the Optionee or the Optionee's representative becomes entitled to receive such Shares by satisfaction of the exercise procedures set forth herein.
- (c) **Tenure.** Nothing in the Plan or the Agreement shall confer upon a Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary employing or retaining the Optionee) or of the Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without Cause.
- (d) **Entire Agreement.** This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.
- (e) **Waiver.** No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.
- (f) **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Optionee, the Optionee's assigns and the legal representatives, heirs and legatees of the Optionee's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to be join herein and be bound by the terms hereof.
- (g) **Choice of Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, as such laws are applied to contracts entered into and performed in such State.

SECTION 9. DEFINITIONS.

- (a) "**Agreement**" shall mean this Option Award Agreement.
- (b) "**Exercise Price**" shall mean the price paid by the Optionee (or as applicable, the Eligible Representative) for the Shares under this option.
- (c) "**Grant Date**" shall have the meaning ascribed to such term in the introduction of this Agreement.

(d) "**Optionee**" shall have the meaning ascribed to such term in the introduction of this Agreement.

(e) "**Service**" shall mean service as an Employee, Director or Consultant. For any purpose under this Agreement, Service shall be deemed to continue while the Optionee is on a bona fide leave of absence, if such leave was approved by the Company in writing or if continued crediting of Service for such purpose is expressly required by the terms of such leave or by applicable law (as determined by the Committee).

(f) "**Term**" shall have the meaning ascribed to such term in Section 3(a) herein.

By signing below, the Optionee accepts this award, and acknowledges and agrees that this Award is granted under and governed by the terms and conditions of the Integrated Electrical Services, Inc. 2006 Equity Incentive Plan and the Option Award Agreement.

OPTIONEE:

INTEGRATED ELECTRICAL SERVICES, INC.

By: _____

Title: _____

EXHIBIT B TO BOARD RESOLUTION OF INTEGRATED ELECTRICAL SERVICES, INC.INTEGRATED ELECTRICAL SERVICES, INC.
2006 EQUITY INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT

THIS RESTRICTED STOCK AWARD AGREEMENT is made and entered into as of _____, 2006 ("Grant Date") by and between Integrated Electrical Services, Inc. a Delaware corporation ("Company"), and _____ ("Grantee") pursuant to the terms and conditions of the Integrated Electrical Services, Inc. 2006 Equity Incentive Plan ("Plan").

SECTION 1. GRANT OF RESTRICTED STOCK AWARD.

- (a) **Restricted Stock Award.** The Company hereby grants the Grantee *xxx* Shares ("Granted Shares"), subject to restrictions and other terms and conditions set forth in this Agreement.
- (b) **No Purchase Price.** In lieu of a purchase price, this award is made in consideration of Service previously rendered by the Grantee to the Company or its Subsidiaries. The Purchase Price of this award is \$0.
- (c) **Plan and Defined Terms.** This award is granted under and subject to the terms of the Plan, which is incorporated herein by reference. If there is any inconsistency between the terms of the Plan and the terms of this Agreement, the Plan's terms shall supersede and replace the conflicting terms of this Agreement. Capitalized terms that are defined in the Plan are incorporated herein by reference and other capitalized terms are defined in Section 8 of this Agreement.

SECTION 2. ISSUANCE OF GRANTED SHARES

- (a) **Stock Certificates.** The Company shall cause to be issued a certificate or certificates for the Granted Shares representing this award, registered in the name of the Grantee (or in the names of such person and his or her spouse as community property or as joint tenants with right of survivorship).
- (b) **Stockholder Rights.** The Grantee (or any successor in interest) shall have all the rights of a stockholder (including, without limitation, voting, dividend and liquidation rights) with respect to the Granted Shares, subject, however, to the restrictions of this Agreement.
- (c) **Escrow.** For so long as Granted Shares are not vested, the Company shall cause such certificate or certificates to be deposited in escrow. The Grantee shall deliver to the Company a duly-executed blank Stock Power (in the form attached hereto as Exhibit A). All regular cash dividends paid on Granted Shares shall be held in escrow, without interest, until the applicable vesting date, upon which the dividends attributable to Granted Shares that have vested shall be paid directly to the Grantee. Upon the vesting of any Granted Shares, such Vested Shares together with any dividends held in escrow related thereto hereunder, shall be distributed to the Grantee as soon as practicable but in no event less than thirty (30) days from such vesting date.
- (d) **Withholding Requirements.** As a condition to the receipt of Granted Shares, the Grantee shall make such arrangements as the Committee may require for the satisfaction of any
-

federal, state, local or foreign withholding obligations that may arise in connection with such receipt and the vesting and disposition of Granted Shares or at the election of the Grantee (and with the permission of the Committee), the Grantee may direct the Company to withhold Shares in order to satisfy any withholding requirements.

SECTION 3. VESTING

(a) Granted Shares shall vest according to the following schedule:

<i>Vesting Date</i>	<i>Fraction Vested of Granted Shares</i>
January 1, 2007	1/3
January 1, 2008	1/3
January 1, 2009	1/3

SECTION 4. TERMINATION OF SERVICE

In the event that a Grantee's Service is terminated for any reason, (i) all Vested Shares as of the date of such termination shall remain outstanding, (ii) if Grantee is terminated without Cause prior to January 1, 2007, one-third (1/3) of the Granted Shares shall vest as of the date of such termination and (iii) all other Restricted Shares (and all dividends held in escrow attributable to such Shares) as of the date of such termination shall be immediately forfeited and cancelled unless otherwise agreed to in writing by Company and Grantee.

SECTION 5. CHANGE IN CONTROL

Notwithstanding anything herein to the contrary, upon the occurrence of a Change in Control, all Restricted Shares held by a Grantee shall no longer be subject to the vesting schedules set forth in Section 3 of this Agreement, and shall vest immediately upon the consummation of a Change in Control.

SECTION 6. ADJUSTMENT OF SHARES.

In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of an extraordinary dividend payable in a form other than Shares in an amount that has a material effect on the Fair Market Value of the Shares, a combination or consolidation of the outstanding Shares into a lesser number of Shares, a recapitalization, a spin-off, a reclassification or a similar occurrence, the terms of this award (including, without limitation, the number and kind of Shares subject to this award and the Purchase Price) shall be adjusted as set forth in Section 10 of the Plan. In the event that the Company is a party to a merger or consolidation, this award shall be subject to the agreement of merger or consolidation, as provided in Section 10 of the Plan.

SECTION 7. MISCELLANEOUS PROVISIONS.

(a) **No Retention Rights.** Nothing in this award or in the Plan shall confer upon the Grantee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or

retaining the Grantee) or of the Grantee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

(b) **Notification.** Any notification required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery or upon deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid. A notice shall be addressed to the Company at its principal executive office and to the Grantee at the address that he or she most recently provided to the Company.

(c) **Entire Agreement.** This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

(d) **Waiver.** No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.

(e) **Assignment.** The Company may assign its rights under this Agreement to any person or entity selected by the Committee, including, without limitation, one or more stockholders of the Company.

(f) **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Grantee, the Grantee's assigns and the legal representatives, heirs and legatees of the Grantee's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.

(g) **Choice of Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, as such laws are applied to contracts entered into and performed in such State.

SECTION 8. DEFINITIONS.

(a) "**Agreement**" shall mean this Restricted Stock Award Agreement.

(b) "**Grant Date**" shall have the meaning ascribed to such term in the introduction of this agreement.

(c) "**Granted Shares**" shall have the meaning ascribed to such term in Section 1(a) of this Agreement.

(d) "**Grantee**" shall mean the person named herein.

(e) "**Purchase Price**" shall mean the price, if any, paid by the Grantee for the Granted Shares.

(f) "**Restricted Share**" shall mean a Granted Share that is not vested.

(g) “**Service**” shall mean service as an Employee, Director or Consultant. For any purpose under this Agreement, Service shall be deemed to continue while the Grantee is on a bona fide leave of absence, if such leave was approved by the Company in writing or if continued crediting of Service for such purpose is expressly required by the terms of such leave or by applicable law (as determined by the Committee).

(h) “**Vested Share**” shall mean a Granted Share that is vested.

By signing below, the Grantee accepts this award, and acknowledges and agrees that this award is granted under and governed by the terms and conditions of the Integrated Electrical Services, Inc. 2006 Equity Incentive Plan and the Restricted Stock Award Agreement.

GRANTEE:

INTEGRATED ELECTRICAL SERVICES, INC.
By: _____

Title: _____

EXHIBIT A

STOCK POWER

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto Integrated Electrical Services, Inc. (the "Company"), _____ (_____) shares of the common stock, par value \$0.01 per share, of the Company standing in his/her/their/its name on the books of the Company represented by Certificate No. _____, herewith and do(es) hereby irrevocably constitute and appoint _____ his/her/their/its attorney-in-fact, with full power of substitution, to transfer such shares on the books of the Company.

Dated: _____

Signature: _____

Print Name and Mailing Address

Instructions: *Please do not fill in any blanks other than the signature line and printed name and mailing address. Please print your name exactly as you would like your name to appear on the issued stock certificate. The purpose of this assignment is to enable the Company to exercise its right to reacquire the Shares without requiring additional signatures on your part.*

INTEGRATED ELECTRICAL SERVICES, INC.
RESTRICTED STOCK GRANTS
MAY 12, 2006

<u>Grant Date</u>	<u>Name</u>	<u>Title</u>	<u>Shares</u>
May 12, 2006	Callahan, Bob	Senior Vice President of Human Resources	18,000
May 12, 2006	Humphrey, Richard	Chief Operating Officer	25,200
May 12, 2006	Miller, David	Senior Vice President and Chief Financial Officer	18,000
May 12, 2006	Upham, Gregory	Vice President and Chief Accounting Officer	5,400
May 12, 2006	Warnock, Curt	Senior Vice President, General Counsel and Corporate Secretary	18,000

INTEGRATED ELECTRICAL SERVICES, INC.
2006 EQUITY INCENTIVE PLAN
OPTION AWARD AGREEMENT

THIS OPTION AWARD AGREEMENT ("Agreement") is made and entered into as of May 16, 2006 ("Grant Date") by and between Integrated Electrical Services, Inc., a Delaware corporation ("Company"), and C. Byron Snyder ("Optionee") pursuant to the terms and conditions of the Integrated Electrical Services, Inc. 2006 Equity Incentive Plan ("Plan").

SECTION 1. GRANT OF OPTION AWARD.

(a) **Option Award.** On the terms and conditions set forth in this Agreement and the Plan, the Company grants to the Optionee on the Grant Date an option to purchase a number of Shares at the Exercise Price, as set forth below. This option is intended to be a nonqualified stock option.

<u>Tranche</u>	<u>Shares</u> ¹	<u>Exercise Price</u>	<u>Vesting</u>
A	29,412	the greater of \$15.00 ² or 150% of the Fair Market Value of Company common stock on the Grant Date	See Section 2 herein
B	22,059	the greater of \$25.00 ³ or 250% of the Fair Market Value of Company common stock on the Grant Date	See Section 2 herein

(b) **Equity Incentive Plan and Defined Terms.** This option is granted under and subject to the terms of the Plan, which is incorporated herein by reference. If there is any inconsistency between the terms of the Plan and the terms of this Agreement, the Plan's terms shall supersede and replace the conflicting terms of this Agreement. Capitalized terms that are defined in the Plan are incorporated herein by reference and other capitalized terms are defined in Section 9 of this Agreement.

(c) **Exercisability.** Subject to the terms and conditions set forth in this Agreement and the Plan, this option or a portion thereof may be exercised (i) prior to its expiration and (ii) on or

¹ The number of option shares assumes that, on the grant date, 15,404,172 shares of Company common stock are outstanding, including reserved restricted shares (which reflects the anticipated adjustment in the Company common shares made in connection with the Chapter 11 plan). The number of option shares shall be adjusted equitably upon any change in the number of outstanding Company common shares as of the effective date of the Chapter 11 Plan.

² The exercise price assumes that, on the grant date, 15,404,172 shares of Company common stock are outstanding, including reserved restricted shares (which reflects the anticipated adjustment in the Company common shares made in connection with the Chapter 11 plan). The exercise price shall be adjusted equitably upon any change in the number of outstanding Company common shares as of the effective date of the Chapter 11 Plan.

³ See Footnote 2 above.

after the time this option or a portion thereof is vested pursuant to the vesting provisions set forth in Section 2 herein.

(d) **Scope of this Agreement.** This Agreement shall apply both to this option and to the Shares acquired upon the exercise of this option.

SECTION 2. VESTING

(a) This option shall vest according to the following schedule:

<u>Tranche</u>	<u>Vesting Schedule</u>
A	100% vested on the Grant Date
B	100% vested if, on the ninetieth (90th) day after the grant date (the " Retention Vesting Date "), at least 90% of the presidents of the Company's subsidiaries, as of February 13, 2006, are employed with the Company on the Retention Vesting Date (excluding for purposes of such calculation such presidents that are no longer employed by the Company or its subsidiaries by reason of death, disability or termination by the Board without cause on or prior to the Retention Vesting Date) ⁴

SECTION 3. TERM AND EXPIRATION.

(a) **Basic Term.** Subject to earlier termination as set forth herein, the exercise period of this option shall expire ten (10) years after the Grant Date (the "Term").

(b) **Termination of Service (except for Cause).** In the event Optionee's Service terminates for any reason other than for Cause, then this option to the extent vested as of the date of such termination shall expire on the earliest of: (i) the expiration of the Term, (ii) twelve (12) months following such termination as a result of death or Disability, and (iii) three (3) months following such termination for any other reason, but if such termination is by the Company other than for Cause, then the later of three (3) months following such termination and February 13, 2008. This option to the extent unvested as of the date of such termination shall immediately expire and lapse upon such termination.

(c) **Termination of Service (for Cause).** In the event Optionee's Service is terminated for Cause or Cause exists on the date Optionee's Service terminates, then this option on the date of such termination (whether vested or unvested and including any exercised portion of this option for which Shares have not been delivered to the Optionee) shall be cancelled and forfeited immediately on the date of such termination, and the Company shall return to the Optionee the price (if any) paid for such undelivered Shares. Should an Optionee die or have a Disability at a time when Cause exists but prior to the date the Optionee's Service is terminated for Cause, this option on the date of such termination (whether vested or unvested and including any exercised portion of this option for which Shares have not been delivered to the Optionee) shall be cancelled and forfeited immediately as of the date of the Optionee's death or Disability and the

⁴ The list of the presidents of the Company's subsidiaries, as of February 13, 2006, is annexed herein as Exhibit A.

Company shall return to the Optionee or Eligible Representative, as applicable, the price (if any) paid for such undelivered Shares.

SECTION 4. TRANSFER OR ASSIGNMENT OF OPTION.

This option may not be transferred, assigned, pledged or hypothecated by any Optionee during the Optionee's lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process, except by beneficiary designation, will or the laws of descent and distribution. Subject to the limitations contained herein, this option may be exercised during the lifetime of the Optionee only by the Optionee or by the Optionee's Eligible Representative. This option shall not be transferable, except in the case of a transfer by the Optionee with the prior written consent of the Committee in its sole discretion.

SECTION 5. EXERCISE.

(a) **Exercise Procedure.** An exercisable option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company of all of the following prior to the time when this option or such portion expires or is otherwise cancelled under the Plan or the Agreement:

- (i) Notice in writing signed by the holder or his or her Eligible Representative, stating that this option or portion thereof is exercised, and specifically stating the number of Shares with respect to which this option or a portion thereof is being exercised;
- (ii) Full payment of the aggregate exercise price of the Shares with respect to which this option (or portion thereof) is thereby exercised in accordance with any method prescribed by Section 6 herein;
- (iii) The payment to the Company of all amounts necessary to satisfy any and all federal, state and local tax withholding requirements arising in connection with the exercise of this option (or a portion thereof) in accordance with any method prescribed by the Plan and this Agreement; and
- (iv) Such representations and documents as the Committee deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal or state securities laws or regulations. The Committee may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer orders to transfer agents and registrars.

In the event that this option or portion thereof shall be exercised pursuant to this Section 5 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise this option or portion thereof shall be provided to the Company as a condition to such exercise.

(b) **Issuance of Shares.** After completing the procedures set forth in Section 5, the Company shall cause to be issued a certificate or certificates for the Shares as to which this option or a portion thereof has been exercised, registered in the name of the person exercising this option or a portion thereof (or in the names of such person and his or her spouse as community property or as joint tenants with right of survivorship).

(c) **Withholding Requirements.** As a condition to the receipt or purchase of Shares pursuant to this option, Optionee shall make such arrangements as the Committee may require for the satisfaction of any federal, state, local or foreign withholding obligations that may arise in connection with such receipt or purchase. The Optionee shall also make such arrangements as the Committee may require for the satisfaction of any federal, state, local or foreign withholding obligations that may arise in connection with the disposition of Shares acquired pursuant to this option.

SECTION 6. PAYMENT FOR SHARES

(a) **Cash or Check.** All or part of the Exercise Price and any applicable withholding requirements may be paid in cash or by check.

(b) **Alternative Methods of Payment.** All or any part of the Exercise Price and any applicable withholding requirements may be paid by one or more of the following methods:

(i) **Surrender of Shares.** At the discretion of the Optionee, all or any part of the Exercise Price and any applicable withholding requirements may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value on the date when the option or a portion thereof is exercised. Notwithstanding the foregoing, the Optionee shall not surrender, or attest to the ownership of, Shares in payment of any portion of the Exercise Price (or withholding) if such action would cause the Company or any Subsidiary to recognize an additional compensation expense with respect to the option for financial reporting purposes, unless the Committee consents thereto.

(ii) **Net Exercise.** At the discretion of the Optionee, payment of all or any portion of the Exercise Price and any applicable withholding requirements may be made by reducing the number of Shares otherwise deliverable pursuant to the option by the number of such Shares having a Fair Market Value equal to the Exercise Price and any applicable withholding requirement. Notwithstanding the foregoing, the Optionee shall not be permitted to pay any portion of the Exercise Price (or withholding) in such manner if such action would cause the Company or any Subsidiary to recognize an additional compensation expense with respect to the option for financial reporting purposes unless the Committee consents thereto.

(iii) **Exercise/Sale.** Payment may be made in whole or in part by the delivery (on a form prescribed by the Company) of an irrevocable direction (i) to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company, or (ii) to pledge Shares to a securities broker or lender approved by the Company as security for a

loan, and to deliver all or part of the loan proceeds to the Company, in each case in payment of all or part of the Exercise Price and any withholding requirements.

Should the Committee exercise its discretion to permit the Optionee to exercise this option in whole or in part in accordance with this Section 6(b) above, it shall have no obligation to permit such alternative exercise with respect to the remainder of this option or with respect to any other option to purchase Shares held by the Optionee.

SECTION 7. ADJUSTMENT OF SHARES.

In the event of a Recapitalization, an adjustment shall be made to this option such that the option shall thereafter be exercisable or payable, as the case may be, in such securities, cash and/or other property as would have been received in respect of Shares subject to the option had the option been exercised immediately prior to such Recapitalization and such an adjustment shall be made successively each time any such change shall occur. In addition, in the event of any Recapitalization, to prevent dilution or enlargement of Optionee's rights hereunder, the Committee shall, and will have the authority to adjust, in a fair and equitable manner, the Exercise Price and the number and kind of shares subject to this option. Should the vesting of this option be conditioned upon the Company's attainment of performance conditions, the Committee may make such adjustments to such terms and conditions of this option and the criteria therein to recognize unusual and nonrecurring events affecting the Company or in response to changes in applicable laws, regulations or accounting principles.

SECTION 8. MISCELLANEOUS PROVISIONS.

(a) **Notification.** Any notification required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery or upon deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid. A notice shall be addressed to the Company at its principal executive office and to the Optionee at the address that he or she most recently provided to the Company.

(b) **Rights as a Shareholder.** Neither the Optionee nor the Optionee's representative shall have any rights as a shareholder with respect to any Shares subject to this option until the Optionee or the Optionee's representative becomes entitled to receive such Shares by satisfaction of the exercise procedures set forth herein.

(c) **Tenure.** Nothing in the Plan or the Agreement shall confer upon a Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary employing or retaining the Optionee) or of the Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without Cause.

(d) **Entire Agreement.** This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

- (e) **Waiver.** No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.
- (f) **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Optionee, the Optionee's assigns and the legal representatives, heirs and legatees of the Optionee's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to be join herein and be bound by the terms hereof.
- (g) **Choice of Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, as such laws are applied to contracts entered into and performed in such State.

SECTION 9. DEFINITIONS.

- (a) "**Agreement**" shall mean this Option Award Agreement.
- (b) "**Exercise Price**" shall mean the price paid by the Optionee (or as applicable, the Eligible Representative) for the Shares under this option.
- (c) "**Grant Date**" shall have the meaning ascribed to such term in the introduction of this Agreement.
- (d) "**Optionee**" shall have the meaning ascribed to such term in the introduction of this Agreement.
- (e) "**Service**" shall mean service as an Employee, Director or Consultant. For any purpose under this Agreement, Service shall be deemed to continue while the Optionee is on a bona fide leave of absence, if such leave was approved by the Company in writing or if continued crediting of Service for such purpose is expressly required by the terms of such leave or by applicable law (as determined by the Committee). For the avoidance of doubt, Optionee's service to the Company and its Subsidiaries as a consultant pursuant to the Employment and Consulting Agreement dated as of [*insert Chapter 11 effective date*] shall constitute Service for purposes of this Agreement.
- (f) "**Term**" shall have the meaning ascribed to such term in Section 3(a) herein.

By signing below, the Optionee accepts this award, and acknowledges and agrees that this Award is granted under and governed by the terms and conditions of the Integrated Electrical Services, Inc. 2006 Equity Incentive Plan and the Option Award Agreement.

OPTIONEE:

/s/ C. Byron Snyder

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ Curt L. Warnock

Title: Senior Vice President and General Counsel

EXHIBIT A

<u>Region</u>	<u>Company</u>	<u>First Name</u>	<u>Last Name</u>	
CENTRAL	Bexar Electric Ltd.	Bobby	Neuse	President
CENTRAL	Gray Electric, Pollock Summit, Tesla Power	Nat	Wrotenbery	President
CENTRAL	Kayton Electric, Inc.	Teddy E	Kayton	President
CENTRAL	Menninga Electric, Inc.	Norman	Vos	President
CENTRAL	Mills Electric LP	Dale	Payne	President
CENTRAL	Neal Electric of Austin	Paul	Carl	President
CENTRAL	Riviera Electric	Lynn	Martin	President
NORTH	ARC Electric, Inc.	Robert	Warwick	President
NORTH	Bryant Electric Company, Inc.	Jose	Suarez	President
NORTH	Commercial Electrical Contractors, Inc.	John	Duquette	President
NORTH	Mid-States Electric Company, Inc.	Robert ("Robbie")	Aspden	President
NORTH	Newcomb Electric Company, Inc.	Richard A	Newcomb	President
NORTH	Pan American Electric, Inc.	David	Dorris	President
NORTH	Paulin Electric, Inc.	Stanley ("Butch")	Paulin	President
NORTH	Primo/PrimeNet	Craig	DiGregorio	President
NORTH	Thomas Popp & Company	Bill	Beischel	President
NORTH	Valentine Electrical, Inc.	Michael H	Valentine	President
SOUTH	Aladdin-Ward Electric & Air, Inc.	David	Hicks	President
SOUTH	Amber Electric, Inc.	Roger	Scroggins	President
SOUTH	Daniel Electrical Contractors, Inc.	Anthony D	Gervasio, Sr.	President
SOUTH	Davis Electrical Constructors, Inc.	William	Byrd	President
SOUTH	Haymaker	Carmon	Colvin	President
SOUTH	Mark Henderson	(Open)		President
WEST	Cross State Electric, Inc.	Donn	Cross	President
WEST	Electro-Tech, Inc.	Michael J	Bertoldi	President

<u>Region</u>	<u>Company</u>	<u>First Name</u>	<u>Last Name</u>	
WEST	Federal Communications Group, Inc.	Don	Fishstein	President
WEST	Hatfield-Reynolds Electric Co., Inc.	Claude ("Ernie")	Reynolds	President
WEST	Mitchell Electric Company, Inc.	Michael	Hession	President
WEST	Murray Electrical Contractors, Inc.	Gary	Swanson	President
WEST	New Tech Electric	Wade	Parkin	President
WEST	Rodgers Electric *	Dan	Stevens	General Manager
RES	Houston-Stafford Electrical, Inc.	Butch	Paschal	President
RES	Key Electrical Supply, Inc.	Mark	Jensen	President

* *Rodgers Electric was "tucked-in" to Murray Electrical for reporting purposes.*

**NEWS RELEASE**

Contacts: C. Byron Snyder — President & CEO
Integrated Electrical Services, Inc.
713-860-8001

Ken Dennard / ksdennard@drg-e.com
Karen Roan / kcroan@drg-e.com
DRG&E
713-529-6600

FOR IMMEDIATE RELEASE**INTEGRATED ELECTRICAL SERVICES EMERGES FROM
PRE-ARRANGED CHAPTER 11**

HOUSTON — MAY 15, 2006 — Integrated Electrical Services, Inc. (NASDAQ: IESC) today announced that it and all of its domestic subsidiaries have emerged from Chapter 11 reorganization.

On May 12, 2006, Integrated Electrical Services, Inc. and all of its domestic business units consummated the Plan of Reorganization (the "Plan") and exited from Chapter 11. The Plan provides for, among other things, reducing IES' outstanding indebtedness by exchanging its \$173 million of senior subordinated notes for 82% of the new IES common stock, refinancing the company's \$50 million of outstanding senior convertible notes with the proceeds of a new term loan, converting IES' existing outstanding common stock into shares representing approximately 15% of the new IES common stock, and issuing to management restricted shares representing 3.0% of the new IES common stock.

In connection with its emergence from Chapter 11, the company has entered into a two-year revolving credit facility with a syndicate of lenders led by Bank of America, in which the lenders will provide a revolving exit credit facility in the aggregate amount of up to \$80 million, with a \$72 million sub-limit for letters of credit, for the purpose of refinancing the DIP Credit Facility and providing letters of credit and working capital.

In addition to the exit credit facility, the company has entered into a seven-year, \$53 million term exit facility with Eton Park Fund, L.P. and an affiliate, and Flagg Street Partners LP and affiliates. The term loan was used to refinance the company's outstanding senior convertible notes.

IES has also closed on an exit bonding facility with Federal Insurance Company (“Chubb”). The exit bonding agreement provides the company an aggregate of up to \$70 million in new surety bonds to be issued at Chubb’s discretion, with no more than \$10 million in new surety bonds to be issued in any given month. Additional surety bonding facilities with SureTec Insurance Company and Edmund C. Scarborough, Individual Surety have been ratified to provide additional bonding capacity to IES.

Byron Snyder, IES’ chairman, president and chief executive officer, stated, “I am extremely proud that we were able to exit Chapter 11 so quickly and have emerged from this process stronger and more competitive. Throughout the process, we told customers, vendors, lenders, surety providers, employees and other constituencies that we expected this to be an accelerated process. Being able to deliver on that promise was very important in maintaining the support of all of these groups in IES. I want to thank all of those that have helped to make this a reality.”

TRADING ON NASDAQ

On May 15, 2006, the company’s stock that has been trading on the pink sheets as IESRQ.PK is expected to begin trading on the NASDAQ under the ticker symbol IESC. Pursuant to the Plan, all existing stock is canceled and will convert into the right to receive new emergent stock. The conversion ratio from the old pre-emergent stock to new post-emergent stock is 17.0928 shares of the old stock for each share of the new emergent stock. Shareholders will be receiving information directly to allow them to convert their shares.

For more information regarding this release, visit the company’s website at www.ies-co.com or call (713) 860-8001. Integrated Electrical Services, Inc. is a national provider of electrical solutions to the commercial and industrial, residential and service markets. The company offers electrical system design and installation, contract maintenance and service to large and small customers, including general contractors, developers and corporations of all sizes.

This Press Release includes certain statements that may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the company’s expectations and involve risks and uncertainties that could cause the company’s actual results to differ materially from those set forth in the statements. Such risks and uncertainties include, but are not limited to, the company’s ability to continue as a going concern, the inherent uncertainties relating to estimating future operating results or our ability to generate sales, operating income, or cash flow, potential difficulty in addressing a material weakness in the company’s accounting systems that has been identified by the company and its independent auditors, potential

limitations on our ability to access the credit line under our credit facility, litigation risks and uncertainties, fluctuations in operating results because of downturns in levels of construction, inaccurate estimates used in entering into and executing contracts, difficulty in managing the operation of existing entities, the high level of competition in the construction industry both from third parties and ex-employees, changes in interest rates that could effect the level of construction, the general level of the economy, increases in costs or limitations on availability of labor, steel, copper and gasoline, limitations on the availability and the increased costs of surety bonds required for certain projects, inability to provide sufficient bonding needed for available work, risk associated with failure to provide surety bonds on jobs where we have commenced work or are otherwise contractually obligated to provide surety bonds, loss of key personnel, business disruption and costs associated with the Securities and Exchange Commission investigation now pending and other litigation that may arise from time to time, unexpected liabilities associated with warranties or other liabilities attributable to the retention of the legal structure or retained liabilities of business units where we have sold substantially all of the assets, inability to fulfill the terms of any debtor-in-possession credit facility or exit facility, inability of subsidiaries to incorporate new accounting, control and operating procedures, inaccuracies in estimating revenues and percentage of completion on contracts, inability to add sufficient amount of work at sufficient margins to replace work that was not awarded to IES during the bankruptcy, difficulty in curing vendor and customer concerns that were created by the bankruptcy filing, managing disruptions caused by the transition to a new CEO and new Board of Directors in the emergent IES, the company's ability to meet debt service obligations and related financial and other covenants, and the possible resulting material default under the company's credit agreements which is not waived or rectify, limitations on the availability of sufficient credit to fund working capital, disruptions or inability to effectively manage internal growth or consolidations, distraction of management and costs associated with the company's restructuring efforts the residual effect with customers and vendors from the bankruptcy process leading to less work or less favorable delivery or credit terms, the delayed effect of fewer or smaller new projects awarded to the company during the bankruptcy and its effect on future financial results, the lowered efficiency and higher costs associated with projects at subsidiaries that the company has determined to wind down or close, the loss of employees during the bankruptcy process and the winding down of subsidiaries, and distraction of management time in winding down and closing subsidiaries inability to successfully restructure our operations to reduce operating losses; and unexpected weather interference. You should understand that the foregoing as well as other risk factors discussed in our filings with the SEC, including those listed under the heading "Risk Factors" contained in our annual report on Form 10-K for the fiscal year ended September 30, 2005 and 10-Q filed for the quarter ended March, 2006, could cause results to differ materially from those expressed in such forward looking statements. We undertake no obligation to publicly update or revise information concerning the company's restructuring efforts, borrowing availability, its cash position or any forward-looking statements to reflect events or circumstances that may arise after the date of this release.

General information about us can be found at <http://www.ies-co.com> under "Investor Relations." Our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the SEC.

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CASE NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

JUDGE: HOUSER

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF TEXAS

DIVISION 6

MONTHLY OPERATING REPORT

MONTH ENDING: March 31, 2006

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT (ACCRUAL BASIS-1 THROUGH ACCRUAL BASIS-7) AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE. DECLARATION OF THE PREPARER (OTHER THAN RESPONSIBLE PARTY): IS BASED ON ALL INFORMATION OF WHICH PREPARER HAS ANY KNOWLEDGE.

RESPONSIBLE PARTY:

/s/ David A. Miller
ORIGINAL SIGNATURE OF RESPONSIBLE PARTY

Senior Vice President & Chief Financial Officer
TITLE

David A. Miller
PRINTED NAME OF RESPONSIBLE PARTY

May 16, 2006
DATE

PREPARER:

ORIGINAL SIGNATURE OF PREPARER

TITLE

PRINTED NAME OF PREPARER

DATE

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

COMPARATIVE BALANCE SHEET

ASSETS	SCHEDULE AMOUNT	ALL DOLLAR AMOUNTS IN THOUSANDS		
		MONTH February 2006	MONTH March 2006	MONTH
1. UNRESTRICTED CASH		12,764	14,496	
2. RESTRICTED CASH		20,000	20,060	
3. TOTAL CASH	\$ —	\$ 32,764	\$ 34,556	\$ —
4. ACCOUNTS RECEIVABLE (NET)	0	168,646	163,397	
5. INVENTORY		23,935	23,579	
6. NOTES RECEIVABLE			0	
7. PREPAID EXPENSES		30,659	24,518	
8. OTHER (ATTACH LIST)		69,740	66,930	
9. TOTAL CURRENT ASSETS	\$ —	\$ 325,744	\$ 312,980	\$ —
10. PROPERTY, PLANT & EQUIPMENT		81,027	81,178	
11. LESS: ACCUMULATED DEPRECIATION / DEPLETION		58,445	59,393	
12. NET PROPERTY, PLANT & EQUIPMENT	\$ —	\$ 22,582	\$ 21,785	\$ —
13. DUE FROM INSIDERS		0	0	
14. OTHER ASSETS — NET OF AMORTIZATION (ATTACH LIST)		24,343	24,343	
15. OTHER (ATTACH LIST)		12,066	7,044	
16. TOTAL ASSETS	\$ —	\$ 384,735	\$ 366,152	\$ —
POSTPETITION LIABILITIES				
17. ACCOUNTS PAYABLE		25,081	40,397	
18. TAXES PAYABLE		2,394	3,968	
19. NOTES PAYABLE		0	0	
20. PROFESSIONAL FEES		1,250	1,519	
21. SECURED DEBT (1)		0	0	
22. OTHER (ATTACH LIST)		43,121	54,200	
23. TOTAL POSTPETITION LIABILITIES	\$ —	\$ 71,846	\$ 100,084	\$ —
PREPETITION LIABILITIES				
24. SECURED DEBT		41	12	
25. PRIORITY DEBT (2)		32,762	6,361	
26. UNSECURED DEBT		257,425	258,418	
27. OTHER (ATTACH LIST)		22,050	18,680	
28. TOTAL PREPETITION LIABILITIES	\$ —	\$ 312,278	\$ 283,471	\$ —
29. TOTAL LIABILITIES	\$ —	\$ 384,124	\$ 383,555	\$ —
EQUITY				
30. PREPETITION OWNERS' EQUITY		\$ 6,014	6,034	
31. POSTPETITION CUMULATIVE PROFIT OR (LOSS)		(\$5,403)	(23,437)	
32. DIRECT CHARGES TO EQUITY (ATTACH EXPLANATION)				
33. TOTAL EQUITY	\$ —	\$ 611	\$ (17,403)	\$ —
34. TOTAL LIABILITIES & OWNERS' EQUITY	\$ —	\$ 384,735	\$ 366,152	\$ —

(1) The court has authorized debtor-in-possession financing from each of Bank of America, Chubb, Suretec and IBCS. However, there are no outstanding funded borrowings as of February 28, 2006 and March 31, 2006.

(2) Includes an estimate of outstanding funded priority claims attributable to goods received within 20 days of the petition date.

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

COMPARATIVE BALANCE SHEET — Detail of "Other" Lines

ASSETS	SCHEDULE AMOUNT	ALL DOLLAR AMOUNTS IN THOUSANDS		
		MONTH February 2006	MONTH March 2006	MONTH
OTHER ASSETS, Current- Line 8				
Retained Funds on Contracts		40,295	41,377	
Contract Underbillings		24,808	22,447	
Deferred Tax Asset, net of valuation allowance		2,312	2,319	
Other Miscellaneous		2,325	787	
Total Other Current Assets	\$ —	\$ 69,740	\$ 66,930	\$ —
OTHER ASSETS, Non-Current: Other Assets, Net of Amortization — Line 14				
Goodwill		\$ 24,343	\$ 24,343	
Total Other Non-Current Assets, Net of Amortization	\$ —	\$ 24,343	\$ 24,343	\$ —
OTHER ASSETS: Non-Current Other Assets — Line 15				
Investments		\$ 3,562	\$ 3,339	
Deferred Financing Costs		4,915	884	
Long Term Notes Receivable		1,969	1,985	
Deferred Tax Asset, net of valuation allowance		1,332	1,332	
Miscellaneous		288	(496)	
Total Other Non-Current Assets	\$ —	\$ 12,066	\$ 7,044	\$ —

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

COMPARATIVE BALANCE SHEET — Detail of "Other" Lines

LIABILITIES	SCHEDULE AMOUNT	ALL DOLLAR AMOUNTS IN THOUSANDS		
		MONTH February 2006	MONTH March 2006	MONTH
OTHER LIABILITIES: Post-Petition — Line 22				
Accrued Compensation and Other Expenses		20,833	28,894	
Contract Overbillings		21,049	23,250	
Reserve for Contract Losses		1,239	2,056	
Total Other Liabilities	\$ —	\$ 43,121	\$ 54,200	\$ —
OTHER LIABILITIES: Pre-Petition — Line 27				
Contract Overbillings		6,149	3,148	
Reserve for Contract Losses		382	134	
Deferred Tax Liabilities		15,519	15,519	
Miscellaneous			(121)	
Total Other Pre-Petition Liabilities	\$ —	\$ 22,050	\$ 18,680	\$ —

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

INCOME STATEMENT

	ALL DOLLAR AMOUNTS IN THOUSANDS			
	February 2006 (1)	March 2006 (2)	MONTH	QUARTER TOTAL
REVENUES				
1. GROSS REVENUES	38,799	85,179		123,977
2. LESS: RETURNS & DISCOUNTS	0	0		0
3. NET REVENUE	\$ 38,799	\$ 85,179	\$ —	\$ 123,977
COST OF GOODS SOLD				
4. MATERIAL	18,619	40,424		59,042
5. DIRECT LABOR	8,826	24,201		33,027
6. DIRECT OVERHEAD	6,144	12,756		18,899
7. TOTAL COST OF GOODS SOLD	\$ 33,588	\$ 77,381		\$ 110,969
8. GROSS PROFIT	\$ 5,211	\$ 7,798	\$ —	\$ 13,009
OPERATING EXPENSES				
9. OFFICER / INSIDER COMPENSATION	127	253		380
10. SELLING & MARKETING	165	493		657
11. GENERAL & ADMINISTRATIVE	4,967	11,597		16,564
12. RENT & LEASE	425	743		1,168
13. OTHER (ATTACH LIST)	0	0		0
14. TOTAL OPERATING EXPENSES	\$ 5,683	\$ 13,086	\$ —	\$ 18,769
15. INCOME BEFORE NON-OPERATING INCOME & EXPENSE	\$ (473)	\$ (5,288)	\$ —	\$ (5,760)
OTHER INCOME & EXPENSES				
16. NON-OPERATING INCOME (ATT. LIST)	82	0		82
17. NON-OPERATING EXPENSE (ATT. LIST)	10	0		10
18. INTEREST EXPENSE	821	(122)		699
19. DEPRECIATION / DEPLETION	0	0		0
20. AMORTIZATION	4,050	525		4,575
21. OTHER (ATTACH LIST)	57	232		289
22. NET OTHER INCOME & EXPENSES	\$ 4,856	\$ 635	\$ —	\$ 5,490
REORGANIZATION EXPENSES				
23. PROFESSIONAL FEES	0	8,151		8,151
24. U.S. TRUSTEE FEES	0	0		0
25. OTHER (ATTACH LIST)	0	3,960		3,960
26. TOTAL REORGANIZATION EXPENSES	\$ —	\$ 12,111	\$ —	\$ 12,111
27. INCOME TAX	75	0		75
28. NET PROFIT (LOSS)	\$ (5,403)	\$ (18,034)	\$ —	\$ (23,437)

(1) Amounts for February 2006 are estimated for the period from the petition date of February 14, 2006 through the end of the month on February 28, 2006 (half of the month).

(2) Amounts for March 2006 include the entire month of March 2006

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

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INCOME STATEMENT

	ALL DOLLAR AMOUNTS IN THOUSANDS			
	February 2006	March 2006	MONTH	QUARTER TOTAL
OTHER: Non-Operating Income Line 16				
Third Party Interest Income	74	0		0
Miscellaneous	8			8
				0
Total for Line 16	\$ 82	\$ —	\$ —	\$ 82
OTHER: Non-Operating Expense — Line 17				
Miscellaneous	10	0		0
				0
Total for Line 17	\$ 10	\$ —	\$ —	\$ 10
OTHER: Income & Expense — Line 21				
(Gain)/Loss on Sales of Asset	71	0		0
Debt & Entertech Adjustments		223		
Other (Income) Expense	(14)	9		(5)
				0
Total for Line 21	\$ 57	\$ 232	\$ —	\$ 289
REORGANIZATION EXPENSES — Line 25				
Non-cash write-off of debt issuance costs, debt discounts and premiums, and embedded derivative liabilities.	0	3,960		3,960
Total for Line 25	\$ —	\$ 3,960	\$ —	\$ 3,960

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

	ALL DOLLAR AMOUNTS IN THOUSANDS			
	MONTH February 2006 (1)	MONTH March 2006 (1)	MONTH	QUARTER TOTAL
CASH RECEIPTS AND DISBURSEMENTS				
1. CASH — BEGINNING OF MONTH	\$ 39,842	\$ 32,764		\$ 39,842
RECEIPTS FROM OPERATIONS				
2. CASH SALES	314	1,735		2,049
COLLECTION OF ACCOUNTS RECEIVABLE				
3. PREPETITION	65,174	44,930		110,104
4. POSTPETITION	16,050	44,545		60,595
5. TOTAL OPERATING RECEIPTS	\$ 81,538	\$ 91,210	\$ —	\$ 172,748
NON-OPERATING RECEIPTS				
6. LOANS & ADVANCES (ATTACH LIST)	120	30		150
7. SALE OF ASSETS	6	42		48
8. OTHER (ATTACH LIST)	(404)	2,679		2,275
9. TOTAL NON-OPERATING RECEIPTS	\$ (278)	\$ 2,751	\$ —	\$ 2,473
10. TOTAL RECEIPTS	\$ 81,260	\$ 93,961	\$ —	\$ 175,221
11. TOTAL CASH AVAILABLE	\$ 121,102	\$ 126,725	\$ —	\$ 215,063
OPERATING DISBURSEMENTS				
12. NET PAYROLL	19,944	21,523		41,467
13. PAYROLL TAXES PAID	6,848	7,171		14,019
14. SALES, USE & OTHER TAXES PAID	786	734		1,520
15. SECURED / RENTAL / LEASES	1,219	888		2,107
16. UTILITIES	257	445		702
17. INSURANCE	1,555	1,327		2,882
18. INVENTORY PURCHASES	32,260	21,728		53,988
19. VEHICLE EXPENSES	1,214	1,258		2,472
20. TRAVEL	195	285		480
21. ENTERTAINMENT	149	193		342
22. REPAIRS & MAINTENANCE	117	205		322
23. SUPPLIES	511	314		825
24. ADVERTISING	62	61		123
25. OTHER (ATTACH LIST)	21,091	34,520		55,611
26. TOTAL OPERATING DISBURSEMENTS	\$ 86,208	\$ 90,650	\$ —	\$ 176,858
REORGANIZATION EXPENSES				
27. PROFESSIONAL FEES	2,130	1,519		3,649
28. U.S. TRUSTEE FEES	0	0		0
29. OTHER (ATTACH LIST)	0	0		0
30. TOTAL REORGANIZATION EXPENSES	\$ 2,130	\$ 1,519	\$ —	\$ 3,649
31. TOTAL DISBURSEMENTS	\$ 88,338	\$ 92,168	\$ —	\$ 180,507
32. NET CASH FLOW	\$ (7,078)	\$ 1,793	\$ —	\$ (5,286)
33. CASH — END OF MONTH	\$ 32,764	\$ 34,556	\$ —	\$ 34,556

(1) Amounts represent the cash activity for the entire months of February and March 2006.

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

CASH RECEIPTS & DISBURSEMENTS

	ALL DOLLAR AMOUNTS IN THOUSANDS			
	February 2006	March 2006	MONTH	QUARTER TOTAL
OTHER: Operating Disbursements - Line 25				
Direct and Indirect Job Cost	11,070	24,561		35,631
Subcontract Cost	3,467	6,961		10,428
Employee Related Costs		340		340
Bank Sweep Activity		951		951
Miscellaneous	6,555	1,707		8,262
Total for Line 16	\$ 21,091	\$ 34,520	\$ —	\$ 55,611

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC. ET AL.

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ACCOUNTS RECEIVABLE AGING	ALL DOLLAR AMOUNTS IN THOUSANDS			
	SCHEDULE AMOUNT	MONTH FEBRUARY 2006	MONTH MARCH 2006	MONTH
1. 0-30		101,707	98,840	
2. 31-60		26,431	30,851	
3. 61-90		12,321	11,820	
4. 91+		31,492	26,205	
5. TOTAL ACCOUNTS RECEIVABLE	\$ —	\$ 171,951	\$ 167,716	\$ —
6. AMOUNT CONSIDERED UNCOLLECTIBLE		\$ 3,305	\$ 4,319	
7. ACCOUNTS RECEIVABLE (NET)	\$ —	\$ 168,646	\$ 163,397	\$ —

TAXES PAYABLE	MONTH: MARCH 2006				
	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL	1,464	109	19	0	1,592
2. STATE	1,516	39	100	0	1,656
3. LOCAL	708	2	3	0	713
4. OTHER (ATTACH LIST)	8	0	0	0	8
5. TOTAL TAXES PAYABLE	\$ 3,696	\$ 150	\$ 122	\$ —	\$ 3,968
	0	0	0	0	0
6. ACCOUNTS PAYABLE	\$ 38,621	\$ 1,453	\$ 194	\$ 60	\$ 40,328

STATUS OF POSTPETITION TAXES	MONTH: MARCH 2006			
	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
FEDERAL				
1. WITHHOLDING**	297	2,709	2,249	756
2. FICA-EMPLOYEE**	208	1,962	1,909	261
3. FICA-EMPLOYER**	263	1,952	1,906	309
4. UNEMPLOYMENT	183	102	25	260
5. INCOME	0	14	14	0
6. OTHER (ATTACH LIST)	0	8	2	6
7. TOTAL FEDERAL TAXES	\$ 951	\$ 6,747	\$ 6,106	\$ 1,592
STATE AND LOCAL				
8. WITHHOLDING	115	507	417	205
9. SALES	573	762	658	677
10. EXCISE	0	0	0	0
11. UNEMPLOYMENT	598	426	0	1,024
12. REAL PROPERTY	69	96	0	165
13. PERSONAL PROPERTY	52	69	25	96
14. OTHER (ATTACH LIST)	36	200	27	209
15. TOTAL STATE & LOCAL	\$ 1,443	\$ 2,059	\$ 1,127	\$ 2,376
16. TOTAL TAXES	\$ 2,394	\$ 8,806	\$ 7,232	\$ 3,968

* The beginning tax liability should represent the liability from the prior month or, if this is the first operating report, the amount should be zero.

** Attach photocopies of IRS Form 6123 or your FTD coupon and payment receipt to verify payment or deposit.

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC. ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

MONTH: MARCH 2006				
BANK RECONCILIATIONS				
	Account #1	Account #2 Summary	Account #3	TOTAL
A. BANK:	See Attached Schedule			
B. ACCOUNT NUMBER:	See Attached Schedule			
C. PURPOSE (TYPE):	IES Corporate	IES Subsidiaries		
1. BALANCE PER BANK STATEMENT	\$ 9,526	not available		\$ 9,526
2. ADD: TOTAL DEPOSITS NOT CREDITED	0	not available		0
3. SUBTRACT: OUTSTANDING CHECKS	1,552	not available		1,552
4. OTHER RECONCILING ITEMS	408	not available		408
5. MONTH END BALANCE PER BOOKS	\$ 8,382	\$ (2,615)	\$ —	\$ 5,767
6. NUMBER OF LAST CHECK WRITTEN				
INVESTMENT ACCOUNTS				
BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE	TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
7. Bank of America, 220-08522-1-4 EDW	2/2/2006	Money Market	17	17
8. Bank of America, 249-00506-1-0 EDW*	2/3/2006	Money Market	20,000	20,000
9. Bank of America, 249-00506-1-0 EDW*	3/1/2006	Money Market	60	60
10. Bank of America, Liquidity Management Account, 3756665754	3/17/2006	Columbia Treasury Reserves	1,260	1,260
11 Bank of America, Liquidity Management Account, 3756665754	3/20/2006	Columbia Treasury Reserves	324	324
12 Bank of America, Liquidity Management Account, 3756665754	3/21/2006	Columbia Treasury Reserves	578	578
13 Bank of America, Liquidity Management Account, 3756665754	3/23/2006	Columbia Treasury Reserves	1,502	1,502
14 Bank of America, Liquidity Management Account, 3756665754	3/27/2006	Columbia Treasury Reserves	1,897	1,897
15 Bank of America, Liquidity Management Account, 3756665754	3/28/2006	Columbia Treasury Reserves	2,559	2,559
16 Bank of America, Liquidity Management Account, 3756665754	3/31/2006	Columbia Treasury Reserves	490	490
17 TOTAL INVESTMENTS			\$ 28,687	\$ 28,687
CASH				
18 CURRENCY ON HAND / DEPOSIT IN TRANSIT				102
19 TOTAL CASH — END OF MONTH				\$ 34,556

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC. ET AL.

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BANK RECONCILIATIONS - ACCOUNTS 1 - 11

	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	Account #7	Account #8	Account #9	Account #10	Account #11	Total
A. BANK:	Bank of America	Bank of America	Bank of America	Bank of America	Bank of America	First American	First American	Amegy	Wells Fargo	Regions Bank	LaSalle	
B. ACCOUNT NUMBER:	0013-9000-0887	0013-9001-2079	375-666-2809	375-666-5754	0013-9006-4292	331-276-202	335-519-729	316-474	494-507-3211	78-8700-0154	5800384397	
C. PURPOSE (TYPE):	Master Concentration	A/P Account	Business Capital	Operating Acct	BCBSTX Benefit	Master Concentration	P/R Tax Escrow	Master Concentration	Master Concentration	Master Concentration	Master Concentration	
1. BALANCE PER BANK STATEMENT	\$ —	\$ —	\$ 5,950	\$ 20	\$ —	\$ 350	\$ 4,023	\$ 568	\$ 17	\$ 118	\$ 428	\$ 11,474
2. ADD: TOTAL DEPOSITS NOT CREDITED	0	0				0						0
3. SUBTRACT: OUTSTANDING CHECKS	0	0				0						0
4. OTHER RECONCILING ITEMS	(275)	1		1		99	(12)					(186)
5. MONTH END BALANCE PER BOOKS	\$ (275)	\$ 1	\$ 5,950	\$ 21	\$ —	\$ 449	\$ 4,011	\$ 568	\$ 17	\$ 118	\$ 428	\$ 11,288
6. NUMBER OF LAST CHECK WRITTEN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

BANK RECONCILIATIONS - ACCOUNTS 12 - 22

	Account #12	Account #13	Account #14	Account #15	Account #16	Account #17	Account #18	Account #19	Account #20	Account #21	Account #22	Total
A. BANK:	JP Morgan Chase	Wachovia	US Bank	JP Morgan Chase	Bank of America	JP Morgan Chase	JPM Chase	Bank of America	Bank of America	Bank of America		
B. ACCOUNT NUMBER:	601-854-714	2000-0140-45185	4346-84-7728	323-297-692	139-000-0890	601-854-698	601-854-706	442-620-1256	0013-9000-0900	0013-9001-2066		
C. PURPOSE (TYPE):	A/P	Master Concentration	Master Concentration	Master Concentration	A/P (Closed)	A/P Account (ZBA)	A/P Account (ZBA)	Payroll (ZBA)	Payroll (ZBA)	A/P Account (ZBA)		
1. BALANCE PER BANK STATEMENT	\$ —	\$ 842	\$ 747	\$ 101	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,690
2. ADD: TOTAL DEPOSITS NOT CREDITED	0					0						0
3. SUBTRACT: OUTSTANDING CHECKS	1,016					21	514		1			1,552
4. OTHER RECONCILING ITEMS	603				(10)	8		(74)	66	1		594
5. MONTH END BALANCE PER BOOKS	\$ (413)	\$ 842	\$ 747	\$ 101	\$ (10)	\$ (13)	\$ (514)	\$ (74)	\$ 65	\$ 1		\$ 732
6. NUMBER OF LAST CHECK WRITTEN	14334	n/a	n/a	n/a	n/a	7,243	3,310	n/a	n/a	n/a	n/a	n/a

BANK RECONCILIATIONS - ALL ACCOUNTS

	TOTAL
A. BANK:	
B. ACCOUNT NUMBER:	
C. PURPOSE (TYPE):	
1. BALANCE PER BANK STATEMENT	\$ 13,164
2. ADD: TOTAL DEPOSITS NOT CREDITED	0
3. SUBTRACT: OUTSTANDING CHECKS	1,552
4. OTHER RECONCILING ITEMS	408
5. MONTH END BALANCE PER BOOKS	\$ 12,020
6. NUMBER OF LAST CHECK WRITTEN	see support

INVESTMENT ACCOUNTS

BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE	TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
7. Bank of America, 220-08522-1-4 EDW	2/2/06	Money Market	17	17
8. Bank of America, 249-00506-1-0 EDW*	2/3/06	Money Market	20,000	20,000
9. Bank of America, 249-00506-1-0 EDW*	3/1/06	Money Market	60	60
10. Bank of America, Liquidity Management Account, 3756665754	3/17/06	Columbia Treasury Reserves	1,260	1,260
11. Bank of America, Liquidity Management Account, 3756665754	3/20/06	Columbia Treasury Reserves	324	324
12. Bank of America, Liquidity Management Account, 3756665754	3/21/06	Columbia Treasury Reserves	578	578
13. Bank of America, Liquidity Management Account, 3756665754	3/23/06	Columbia Treasury Reserves	1,502	1,502
14. Bank of America, Liquidity Management Account, 3756665754	3/27/06	Columbia Treasury Reserves	1,897	1,897
15. Bank of America, Liquidity Management Account, 3756665754	3/28/06	Columbia Treasury Reserves	2,559	2,559
16. Bank of America, Liquidity Management Account, 3756665754	3/31/06	Columbia Treasury Reserves	490	490
17. TOTAL INVESTMENTS			\$ 28,687	\$ 28,687

CASH

18 CURRENCY ON HAND / DEPOSIT IN TRANSIT	102
19 TOTAL CASH — END OF MONTH	\$ 40,809

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

MONTH: MARCH 2006

PAYMENTS TO INSIDERS AND PROFESSIONALS

OF THE TOTAL DISBURSEMENTS SHOWN FOR THE MONTH, LIST THE AMOUNT PAID TO INSIDERS (AS DEFINED IN SECTION 101 (31) (A)-(F) OF THE U.S. BANKRUPTCY CODE) AND TO PROFESSIONALS. ALSO, FOR PAYMENTS TO INSIDERS, IDENTIFY THE TYPE OF COMPENSATION PAID (e.g. SALARY, BONUS, COMMISSIONS, INSURANCE, HOUSING ALLOWANCE, TRAVEL, CAR ALLOWANCE, ETC.). ATTACH ADDITIONAL SHEETS IF NECESSARY.

SECTION 1 — PAYMENTS TO INSIDERS — CORPORATE TO COMPLETE

	NAME	TYPE OF PAYMENT	AMOUNT PAID	TOTAL PAID TO DATE
1.	See attached schedule	Salary	\$ 237	\$ 355
2.	See attached schedule	Auto Allowance	\$ 14	\$ 20
3.	See attached schedule	Executive Disability	\$ 0	\$ 1
4.	See attached schedule	401 (k) Match	\$ 3	\$ 4
5.				
6.	TOTAL PAYMENTS TO INSIDERS		\$ 253	\$ 380

SECTION 2 — PAYMENTS TO PROFESSIONALS — CORPORATE TO COMPLETE

	NAME	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE	TOTAL INCURRED & UNPAID *
1.	See attached schedule	03/13/06	see schedule	\$ 585	\$ 803	\$ 2,105
2.						
3.						
4.						
5.						
6.	TOTAL PAYMENTS TO PROFESSIONALS		\$—	\$ 585	\$ 803	\$ 2,105

* INCLUDE ALL FEES INCURRED, BOTH APPROVED AND UNAPPROVED

SECTION 3 — POSTPETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS

	NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENTS DUE	AMOUNTS PAID DURING MONTH	TOTAL UNPAID POSTPETITION
1.	N/A - no schedule of liabilities for filing			
2.				
3.				
4.				
5.				
6.	TOTAL	\$ —	\$ —	\$ —

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

Monthly Operating Report — Accrual Basis — Report 6 — Insider Payment Detail (\$000's)

		INSIDER ¹ PAYMENTS		
	NAME	TYPE OF PAYMENT	AMOUNT PAID	TOTAL PAID MTD
1	Cyrus B. Snyder	Salary	\$ 20.8	\$ 31.3
	Cyrus B. Snyder	Auto Allowance	\$ 1.5	\$ 2.3
2	Richard C. Humphrey	Salary	\$ 25.0	\$ 37.5
	Richard C. Humphrey	Auto Allowance	\$ 1.5	\$ 2.3
	Richard C. Humphrey	Executive Disability	\$ 0.3	\$ 0.4
	Richard C. Humphrey	401(k) Match	\$ 0.4	\$ 0.6
3	David A. Miller	Salary	\$ 22.9	\$ 34.4
	David A. Miller	Auto Allowance	\$ 1.5	\$ 2.3
	David A. Miller	Executive Disability	\$ 0.2	\$ 0.3
	David A. Miller	401(k) Match	\$ 0.3	\$ 0.5
4	Curtlon L. Warnock	Salary	\$ 18.8	\$ 28.1
	Curtlon L. Warnock	Auto Allowance	\$ 1.5	\$ 2.3
	Curtlon L. Warnock	401(k) Match	\$ 0.3	\$ 0.5
5	Robert B. Callahan	Salary	\$ 14.6	\$ 21.9
	Robert B. Callahan	Auto Allowance	\$ 1.5	\$ 2.3
6	Robert L. Wilson	Salary	\$ 20.8	\$ 31.3
	Robert L. Wilson	Auto Allowance	\$ 1.5	\$ 2.3
	Robert L. Wilson	401(k) Match	\$ 0.2	\$ 0.3
7	Michael Bertoldi	Salary	\$ 18.8	\$ 28.1
	Michael Bertoldi	Auto Allowance	\$ 1.5	\$ 2.3
	Michael Bertoldi	401(k) Match	\$ 0.3	\$ 0.5
8	Johnny Menninga	Salary	\$ 18.8	\$ 28.1
	Johnny Menninga	Auto Allowance	\$ 1.5	\$ 2.3
	Johnny Menninga	401(k) Match	\$ 0.4	\$ 0.7
9	Glenn Schaefer	Salary	\$ 20.8	\$ 31.3
	Glenn Schaefer	Auto Allowance	\$ 1.5	\$ 2.3
	Glenn Schaefer	401(k) Match	\$ 0.3	\$ 0.5
10	Robert Lewey	Salary	\$ 14.2	\$ 21.2
	Robert Lewey	401(k) Match	\$ 0.2	\$ 0.3
11	Jefford Dixon	Salary	\$ 13.3	\$ 20.0
	Jefford Dixon	401(k) Match	\$ 0.2	\$ 0.3
12	Gregory Upham	Salary	\$ 14.2	\$ 21.2
13	Philip deLoache	Salary	\$ 13.8	\$ 20.6
	TOTAL PAYMENTS TO INSIDERS		\$ 253.3	\$ 379.9
1.	Total	Salary	\$ 236.7	\$ 355.0
2.	Total	Auto Allowance	\$ 13.5	\$ 20.3
3.	Total	Executive Disability	\$ 0.5	\$ 0.7
4.	Total	401(k) Match	\$ 2.6	\$ 4.0
5.				
6.	TOTAL PAYMENTS TO INSIDERS		\$ 253.3	\$ 379.9

¹ Defined as Officer and Directors of Integrated Electrical Services, Inc.

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

Monthly Operating Report — Accrual Basis — Report 6 — Payments to Professionals (\$000's)

	NAME	PROFESSIONALS DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID **	TOTAL PAID TO DATE **	TOTAL INCURRED & UNPAID *
1.	Vinson & Elkins	3/13/2006	80% of billed	307	510	598
2.	Glass	3/13/2006	No preset limit	178	178	0
3.	Gordian	3/13/2006	80% of billed	100	100	0
4.	Financial Balloting Group	3/13/2006	No preset limit	0	15	0
5.	Weil Gotshal	3/13/2006	80% of billed	0	0	925
6.	Conway Del Genio	3/13/2006	80% of billed	0	0	0
7.	Jenner & Block	3/13/2006	80% of billed	0	0	450
8.	Guiliani Capital	3/13/2006	80% of billed	0	0	132
TOTAL PAYMENTS TO PROFESSIONALS			\$—	\$ 585	\$ 803	\$ 2,105

* INCLUDE ALL FEES INCURRED, BOTH APPROVED AND UNAPPROVED

** NO PAYMENTS MADE BETWEEN FEBRUARY 14-28, COURT APPROVAL AUTHORIZING PAYMENT NOT RECEIVED UNTIL 03/13/06.

THE ONLY EXCEPTION WAS FOR FINANCIAL BALLOTING GROUP IN WHICH LEGAL ADVISED & APPROVED PAYMENT.

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

MONTH: MARCH 31, 2006

QUESTIONNAIRE

	YES	NO
1. HAVE ANY ASSETS BEEN SOLD OR TRANSFERRED OUTSIDE THE NORMAL COURSE OF BUSINESS THIS REPORTING PERIOD?		X
2. HAVE ANY FUNDS BEEN DISBURSED FROM ANY ACCOUNT OTHER THAN A DEBTOR IN POSSESSION ACCOUNT?		X
3. ARE ANY POSTPETITION RECEIVABLES (ACCOUNTS, NOTES, OR LOANS) DUE FROM RELATED PARTIES?		X
4. HAVE ANY PAYMENTS BEEN MADE ON PREPETITION LIABILITIES THIS REPORTING PERIOD?	X	
5. HAVE ANY POSTPETITION LOANS BEEN RECEIVED BY THE DEBTOR FROM ANY PARTY?		X
6. ARE ANY POSTPETITION PAYROLL TAXES PAST DUE?		X
7. ARE ANY POSTPETITION STATE OR FEDERAL INCOME TAXES PAST DUE?		X
8. ARE ANY POSTPETITION REAL ESTATE TAXES PAST DUE?		X
9. ARE ANY OTHER POSTPETITION TAXES PAST DUE?		X
10. ARE ANY AMOUNTS OWED TO POSTPETITION CREDITORS DELINQUENT?		X
11. HAVE ANY PREPETITION TAXES BEEN PAID DURING THE REPORTING PERIOD?	X	
12. ARE ANY WAGE PAYMENTS PAST DUE?		X

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "YES," PROVIDE A DETAILED EXPLANATION OF EACH ITEM. ATTACH ADDITIONAL SHEETS IF NECESSARY.

2. All disbursements are made from accounts which are part of the court approved cash management system.

4. The Company filed a motion with the bankruptcy court seeking authority to pay all undisputed pre-petition trade vendor claims in the ordinary course of business (the "Trade Vendor Motion"). The court approved this motion on February 15, 2006. Any payments made on pre-petition liabilities in this reporting period were under ordinary course of business.

5. While there is no funded debt outstanding as of March 31, 2006, the court has approved financing agreements with Bank of America, Chubb, Suretec and IBCS.

11. The company filed a motion with the court on February 14, 2006 seeking authority to pay pre-petition taxes in the ordinary course of business. The court approved this motion on February 15, 2006.

	YES	NO
1. ARE WORKER'S COMPENSATION, GENERAL LIABILITY AND OTHER NECESSARY INSURANCE COVERAGES IN EFFECT?	X	
2. ARE ALL PREMIUM PAYMENTS PAID CURRENT?	X	
3. PLEASE ITEMIZE POLICIES BELOW.		

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "NO," OR IF ANY POLICIES HAVE BEEN CANCELLED OR NOT RENEWED DURING THIS REPORTING PERIOD, PROVIDE AN EXPLANATION BELOW. ATTACH ADDITIONAL SHEETS IF NECESSARY.

INSTALLMENT PAYMENTS			
TYPE OF POLICY	CARRIER	PERIOD COVERED	PAYMENT AMOUNT & FREQUENCY
See Attached Schedule			

LOCATION NAME: INTEGRATED ELECTRICAL SERVICES, INC., ET AL.

CASE NUMBER: 06-30602-BJH-11 Chapter 11

MONTH: MARCH 31, 2000

INSTALLMENT PAYMENTS						
TYPE OF POLICY	CARRIER	PERIOD COVERED		PAYMENT AMOUNT & FREQUENCY (\$000's)		
Workers Compensation-Deductible (All States except Monopolistic States and OR, AZ, NJ & CA)	American Casualty Co — E.L. Limit \$1MM	11/01/05	11/01/06	\$ 115.84	MONTHLY	
Workers Compensation-Deductible (All States except Monopolistic States and OR, AZ, NJ & CA)	American Casualty Co — Surcharges/Fees	11/01/05	11/01/06	\$ 1.38	MONTHLY	
Workers Compensation-Deductible (All States except Monopolistic States and OR, AZ, NJ & CA)	American Casualty Co — Terrorism	11/01/05	11/01/06	\$ 5.77	MONTHLY	
Workers Compensation-CA	American Casualty Co — E.L. Limit \$1MM	11/01/05	11/01/06	\$ 4.59	MONTHLY	
Workers Compensation-CA	American Casualty Co — Surcharges/Fees	11/01/05	11/01/06	\$ 0.38	MONTHLY	
Workers Compensation-CA	American Casualty Co — Terrorism	11/01/05	11/01/06	\$ 0.23	MONTHLY	
Workers Compensation-Retro OR, AZ, NJ	Transportation Ins Co — E.L. Limit \$1MM	11/01/05	11/01/06	\$ 5.12	MONTHLY	
Workers Compensation-Retro OR, AZ, NJ	Transportation Ins Co - Surcharges/Fees	11/01/05	11/01/06	\$ 0.17	MONTHLY	
Workers Compensation-Retro OR, AZ, NJ	Transportation Ins Co — Terrorism	11/01/05	11/01/06	\$ 0.35	MONTHLY	
Stop Gap Liability	Transportation Ins Co	11/01/05	11/01/06	\$ 0.01	MONTHLY	
Business Auto	Continental Casualty — \$1MM CSL	11/01/05	11/01/06	\$ 56.42	MONTHLY	
Business Auto	Continental Casualty — Terrorism	11/01/05	11/01/06	\$ 0.06	MONTHLY	
General Liability	Interstate Fire & Casualty — \$1MM / \$2MM / \$10MM	11/01/05	11/01/06	\$ 94.00	MONTHLY	
General Liability	Interstate Fire & Casualty — Terrorism	11/01/05	11/01/06	\$ 3.76	MONTHLY	
General Liability	Interstate Fire & Casualty — State Tax & Stamping Fee	11/01/05	11/01/06	\$ 4.84	MONTHLY	
Umbrella Liability	RSUI Indemnity Co — Primary \$25MM	11/01/05	11/01/06	\$ 97.25	MONTHLY	
Umbrella Liability	RSUI Indemnity Co — Terrorism	11/01/05	11/01/06	\$ 2.08	MONTHLY	
Umbrella Liability	American Guarantee — Next \$25MM	11/01/05	11/01/06	\$ 22.92	MONTHLY	
Umbrella Liability	American Guarantee — Terrorism	11/01/05	11/01/06	\$ 0.23	MONTHLY	
Umbrella Liability	Westchester Fire	11/01/05	11/01/06	\$ 10.00	MONTHLY	
Umbrella Liability	Great American — Next \$25MM	11/01/05	11/01/06	\$ 8.33	MONTHLY	
Umbrella Liability	Great American — Terrorism	11/01/05	11/01/06	\$ 0.08	MONTHLY	
Employment Practices Liability (EPL)	National Union Fire	11/01/05	11/01/06	\$ 15.22	MONTHLY	
Crime	Federal Insurance Co	11/01/05	11/01/06	\$ 9.17	MONTHLY	
Fiduciary	St. Paul Mercury	11/01/05	11/01/06	\$ 1.29	MONTHLY	
Inland Marine Package	National Fire Ins Hartford	11/01/05	11/01/06	\$ 23.37	MONTHLY	
Loss Control Services	Bowen, Miclette & Britt	11/01/05	11/01/06	\$ 12.25	MONTHLY	
Agency Fee	Bowen, Miclette & Britt	11/01/05	11/01/06	\$ 41.35	MONTHLY	
Property	Travelers Property & Cas	12/15/05	12/15/06	\$ 18.00	MONTHLY	
Boiler & Machinery	Continental Casualty	12/15/05	12/15/06	\$ 0.06	MONTHLY	
Directors & Officers Liability	XL Specialty Ins Co	12/15/05	03/01/07	\$ 57.26	MONTHLY	
Directors & Officers Liability	American Cas of Reading	12/15/05	03/01/07	\$ 22.67	MONTHLY	
Directors & Officers Liability	Platte River Ins Co	12/15/05	03/01/07	\$ 14.41	MONTHLY	
Directors & Officers Liability	RSUI Indemnity	12/15/05	03/01/07	\$ 12.58	MONTHLY	
Directors & Officers Liability	St. Paul Mercury Ins Co	12/15/05	03/01/07	\$ 6.44	MONTHLY	
Aviation — Primary	U. S. Specialty	01/29/06	01/29/07	\$ 0.25	MONTHLY	
Kidnap & Ransom/Extortion	National Union Fire	04/21/03	04/21/06	\$ 1.20	MONTHLY	
Foreign Package	Ins Co of the State of PA	06/17/05	06/17/06	\$ 0.50	MONTHLY	