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: February 4, 1999

Commission File No. 001-13783

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

DELAWARE	76-0542208
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

515 Post Oak Boulevard
Suite 450
Houston, Texas 77027-9408
(Address of principal executive offices) (zip code)

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

ITEM 5. OTHER EVENTS

Integrated Electrical Services, Inc., a Delaware corporation (the "Company") is a leading national provider and consolidator of electrical contracting and maintenance services, focusing primarily on the commercial, industrial, residential, powerline and data communication markets. In connection with its business acquisitions, the Company plans to offer shares of the Company's Common Stock, $.01 par value per share (the "Common Stock") pursuant to its Registration Statement on Form S-1 (Registration No. 333-45479). In order to comply with the disclosure requirements of the Securities and Exchange Commission regarding the financial statements of businesses acquired or to be acquired, the Company is filing this Current Report containing the following audited and pro forma financial statements.

(a) Financial Statements of Businesses Acquired
See Pages 2 through 51

(b) Pro Forma Financial Information
See Pages 52 through 56

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE STOCKHOLDERS AND
BOARD OF DIRECTORS
PRIMO ELECTRIC COMPANY
2340 Monumental Avenue
Baltimore, Maryland 21227

We have audited the accompanying balance sheet of Primo Electric Company as of April 30, 1998 and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Primo Electric Company as of April 30, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Hertzbach & Company P.A.
Certified Public Accountants

Baltimore, Maryland
July 14, 1998

PRIMO ELECTRIC COMPANY - APRIL 30, 1998
PRIMO ELECTRIC COMPANY AND PRIMENET, LLC - DECEMBER 31, 1998 (COMBINED)

BALANCE SHEETS

	April 30, 1998 (Audited)	December 31, 1998 (Unaudited)
Assets		
CURRENT ASSETS		
Cash	$ 655,509	$ 1,334,557
Marketable Equity Securities And Investments	1,327,111	1,586,407
Accounts Receivable-Contracts	4,925,977	3,497,555
Accounts Receivable-Other	4,223	--
Inventory	18,670	54,165
Loans Receivable-Officers	--	495,300
Loans Receivable-Employees	38,693	--
Refundable Income Taxes	39,000	--
Incurred Direct Costs And Earned Projected Gross Profit in Excess of Billings On Uncompleted Contracts	399,903	1,032,232
Prepaid Expenses And Refundable Deposits	36,029	53,511
Total Current Assets	7,445,115	8,053,727
PROPERTY AND EQUIPMENT		
Vehicles	840,435	1,197,990
Leasehold Improvements	59,188	69,406
Office Furniture And Fixtures	293,826	359,384
Equipment	205,331	338,130
	1,398,780	1,964,910
Less: Accumulated Depreciation	650,036	773,541
Total Property and Equipment	738,744	1,191,369
OTHER ASSETS		
Cash Surrender Value-Life Insurance	140,772	140,772
Total Other Assets	140,772	140,772
TOTAL ASSETS	$ 8,334,631	$ 9,385,868

PRIMO ELECTRIC COMPANY - APRIL 30, 1998
PRIMO ELECTRIC COMPANY AND PRIMENET, LLC - DECEMBER 31, 1998 (COMBINED)

BALANCE SHEETS - CONTINUED

	April 30, 1998 (Audited)	December 31, 1998 (Unaudited)
Liabilities, Stockholders' Equity, And Members' Equity		
CURRENT LIABILITIES		
Accounts Payable	$ 1,048,259	$ 1,150,296
Notes Payable - Line of Credit	1,059,012	709,750
Current Maturities Of Long-Term Debt	--	28,508
Loans Payable-Officers	213,920	19,264
Security Deposits	--	--
Payroll Taxes Payable	238,496	88,566
Billings in Excess Of Incurred Direct Costs And Earned Projected Gross Profit on Uncompleted Contracts	2,137,909	878,821
Accrued Income Taxes - Current And Deferred	412,920	1,464,560
Accrued Expenses	634,885	183,780
Total Current Liabilities	5,745,401	4,523,545
LONG TERM DEBT, LESS CURRENT MATURITIES	--	114,036
STOCKHOLDERS AND MEMBERS' EQUITY		
Common Stock	5,000	5,000
Retained Earnings	2,584,230	4,583,470
Members' Equity	--	159,817
Total Stockholders' Equity and Members' Equity	2,589,230	4,748,287
TOTAL LIABILITIES, STOCKHOLDERS EQUITY, AND MEMBERS' EQUITY	$ 8,334,631	$ 9,385,868

PRIMO ELECTRIC COMPANY - APRIL 30, 1998
PRIMO ELECTRIC COMPANY AND PRIMENET, LLC - DECEMBER 31, 1998 (COMBINED)

Statements of Income and
Retained Earnings/Members' Equity

	For The Year Ended April 30, 1998 (Audited)	For The Eight Months Ended December 31, 1998 (Unaudited)	For The Eight Months Ended December 31, 1997 (Unaudited)
Earned Construction Income	$ 16,795,775	$ 17,156,356	$ 10,593,876
Applicable Direct Costs	13,387,357	11,628,002	6,970,490
Gross Profit From Contracts	3,408,418	5,528,354	3,623,386
General And Administrative Expenses	2,907,221	2,364,215	1,966,960
Operating Income	501,197	3,164,139	1,656,426
Other Income	201,491	175,062	126,167
	702,688	3,339,201	1,782,593
Other Expenses	187,416	70,111	76,765
	515,272	3,269,090	1,705,828
Net Unrealized Gain On Marketable Equity Securities	173,083	--	--
Income Before Income Taxes	688,355	3,269,090	1,705,828
Provision For Income Taxes	282,124	1,210,033	658,791
Net Income			
Primo Electric Company	406,231	1,999,240	1,047,037
Primenet, LLC	--	59,817	--
	406,231	2,059,057	1,047,037
Retained Earnings-Beginning Of Year/Period			
Primo Electric Company	2,177,999	2,584,230	2,177,999
Members' Equity-Beginning Of Period			
Primenet, LLC	--	100,000	--
	$ 2,585,230	$ 2,684,230	$ 3,225,036

PRIMO ELECTRIC COMPANY - APRIL 30, 1998
PRIMO ELECTRIC COMPANY AND PRIMENET, LLC - DECEMBER 31, 1998 (COMBINED)

STATEMENTS OF CASH FLOWS

	For The Year Ended April 30, 1998	For The Eight Months Ended December 31,	
		1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES	(Audited)	(Unaudited)	(Unaudited)
Net Income	$ 406,231	$ 2,059,057	$ 1,047,037
Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities:			
Depreciation	172,960	123,505	73,801
Deferred Income Taxes	156,531	--	--
Net Realized Loss On Sale Of Marketable Equity Securities	65,499	--	--
Net Unrealized (Gain) On Marketable Equity Securities	(173,083)	--	--
Purchases Of Marketable Equity Securities	(804,596)	(259,296)	(199,739)
Proceeds From Sale Of Marketable Equity Securities	585,225	--	--
(Increase) Decrease in Operating Assets:			
Accounts Receivable - Contracts	(2,535,970)	1,428,422	(1,296,189)
Accounts Receivable - Other	(2,343)	4,223	1,880
Inventory	26,617	(36,495)	(16,396)
Loans Receivable - Employees	(26,109)	38,693	12,584
Refundable Income Taxes	(32,435)	39,000	6,565
Incurred Direct Costs And Earned Projected Gross Profit In Excess Of Billings On Uncompleted Contracts	(204,796)	(632,329)	29,685
Prepaid Expenses And Refundable Deposits	(4,487)	(17,482)	(39,146)
Increase (Decrease) In Operating Liabilities			
Accounts Payable	573,887	102,037	480,984
Security Deposits	--	--	(1,170)
Payroll Taxes Payable	234,928	(149,930)	62,649
Billings In Excess Of Incurred Direct Costs And Earned Projected Gross Profit On Uncompleted Contracts	1,180,993	(1,259,088)	(229,919)
Income Taxes Payable	16,928	1,051,640	569,626
Accrued Expenses	534,885	(451,105)	205,015
Net Cash Provided By Operating Activities	170,865	2,041,852	707,267
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Purchases Of Property And Equipment	(464,191)	(566,130)	(188,156)
Cash Surrender Value - Life Insurance	(17,456)	--	--
Capital Investment In Primenet, LLC	--	100,000	--
Decrease (Increase) In Loan Receivable - Officers	161,079	(495,300)	(200,346)
Net Cash Used In Investing Activities	(320,568)	(961,430)	(388,502)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (Repayments) Proceeds Notes Payable - Line Of Credit	475,860	(349,262)	(469,712)
Net Proceeds On Long-Term Debt	--	142,644	--
Net Proceeds (Repayments) From Loans Payable - Officers	167,156	(194,656)	(7,500)
Net Cash Provided By (Used In) Financing Activities	643,016	(401,374)	(477,212)
NET INCREASE (DECREASE) IN CASH	493,313	679,048	(158,447)
CASH - BEGINNING OF YEAR/PERIOD	162,196	655,509	162,196
CASH - END OF YEAR/PERIOD	$ 655,509	$ 1,334,557	$ 3,749

Statements of Cash Flows - Continued

	For the Year Ended April 30, 1998 (Audited)	For The Eight Months Ended December 31, 1998 (Unaudited)	1997 (Unaudited)
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash Paid During The Year For:			
Interest	$ 41,660	$ 29,557	$ 36,111
Income Taxes	$ 141,100	$ 46,500	$ 29,598

PRIMO ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS

APRIL 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS - Primo Electric Company (Company) was incorporated in the state of Maryland on May 1, 1968. The Company is engaged in commercial electrical contracting, primarily in the greater Baltimore metropolitan region. The accompanying financial statements include the operations of PrimeNet, a division of the Company which began operations in August, 1996. PrimeNet is engaged in the business of design, installation and servicing of communication and data transmission systems, primarily for hospitals, universities and colleges in the greater Baltimore Washington metropolitan area. The PrimeNet division generated approximately 37% of the Company's revenues for the year ended April 30, 1998.

LONG-TERM CONSTRUCTION CONTRACTS - For financial reporting purposes, the Company records income on its long-term construction contracts on the percentage-of-completion method of accounting. Contract costs and estimated earnings are recognized as work on the contracts progresses, based upon the percentage that direct costs to date bear to total estimated direct costs. Billings on contracts not having sufficient progress are recognized to the extent of direct costs incurred and direct costs incurred on contracts not having sufficient progress to be billed are deferred. Cost and earnings estimates are revised and reflected as of the accounting period in which the facts which require the revision become known. Projected losses, if any, are provided for in their entirety. Contract costs include direct costs of construction and those indirect costs related to contract performance. Selling, general and administrative costs are charged to operations as incurred.

ACCOUNTS RECEIVABLE - Management is of the opinion that all of the Company's accounts receivable are fully collectible and no allowance for doubtful accounts is required.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost. The cost of repairs and maintenance is charged to operations as incurred. Major renewals, betterments, and additions are capitalized. When assets are sold or otherwise disposed of, the cost of the assets and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income.

Depreciation is computed using the following methods over the estimated useful lives of the assets.

Class	Method
Vehicles	Accelerated
Leasehold Improvements	Straight-Line
Office Furniture And Fixtures	Accelerated
Equipment	Accelerated

INCOME TAXES - The Company reports profits and losses on its long-term construction contracts for income tax purposes on the completed contract method of accounting. Under this method, income and related costs are recognized only when a contract is fully completed, billed and accepted. Provision is made on the financial statements for deferred income taxes applicable to temporary differences between income recognized for financial reporting purposes and income recognized for income tax purposes under the asset/liability method. The principal sources of taxable and deductible temporary differences are different reporting methods for long-term construction contracts and marketable equity securities. Deferred income taxes are classified as current or noncurrent depending upon the balance sheet classification of the related asset or liability.

PRIMO ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

APRIL 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORY - Inventory, primarily materials and supplies, is valued at cost. Cost is determined by the first-in, first-out method.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

CONCENTRATION OF CREDIT RISK - The Company maintains cash balances at several area financial institutions. Accounts at each institution are insured by agencies of the federal government up to $100,000. Cash balance at April 30, 1998 exceeded insured limits by $445,177.

STATEMENTS OF CASH FLOWS - For the purpose of these statements, the Company considers all highly liquid investments, including certificates of deposit whose terms do not effectively restrict withdrawal, to be cash equivalents.

ADVERTISING - The Company expenses the cost of advertising the first time the advertising takes place. Advertising costs amounted to $44,081 for the year ended April 30, 1998.

2. MARKETABLE EQUITY SECURITIES

All of the Company's marketable equity securities have been classified as trading securities and are being carried at fair value with unrealized gains and losses included in earnings.

Sales of marketable equity securities resulted in a net realized loss of $65,499 for the year ended April 30, 1998. Realized gains and losses are determined using the first-in, first-out (FIFO) method.

3. LIFE INSURANCE

The Company is the owner and beneficiary of various life insurance policies on the lives of key employees.

Insured	Face Amount Of Policy	Cash Surrender Value
Primo China	$ 70,000	$ 82,068
Primo China	200,000	45,184
Richard China	500,000	7,132
R. Manns	100,000	1,838
C. Meadows	100,000	2,083
R. Eller	100,000	2,467
		$140,772

PRIMO ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

APRIL 30, 1998

4. INCOME TAXES

CURRENT INCOME TAXES - For the year ended April 30, 1998, the Company incurred a liability for federal and state income taxes as follows:

	1998
Federal Income Taxes	$ --
Federal Alternative Minimum Tax	129,441
Alternative Minimum Tax Credit	--
State Income Taxes	--
	129,441
Reduction In Income Taxes:	
Prior Year Over Accrual	(3,848)
Current Income Tax Expense	125,593
Estimated Payments	
Federal	78,000
State	39,000
Prior Year Over Accrual	(3,848)
Prior Year Under Accrual	--
	113,152
Net Income Taxes Payable	$ 12,441
Federal Income Taxes Payable (Refundable)	$ 51,441
State Income Taxes Payable (Refundable)	(39,000)
Net Income Taxes Payable	$ 12,441

PRIMO ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

APRIL 30, 1998

4. INCOME TAXES (CONTINUED)

CARRYFORWARDS - The Company has available to reduce future federal income tax liabilities an alternative minimum tax credit carryforward in the amount of $150,521 at April 30, 1998, which may be utilized by the Company in years in which it is not subject to alternative minimum tax. The Company also has a capital loss carryover in the amount of $87,503 which may be used to reduce future taxable income. These carryforwards are being used to reduce deferred income taxes as shown below.

DEFERRED INCOME TAXES - Differences between income and costs recognized for financial reporting and income tax purposes have generated deferred income taxes as follows:

	1998
Total Deferred Tax Liabilities	$545,793
Deferred Tax Assets, Excluding Alternative Minimum Tax Credit Carryforwards, Capital Loss Carryforwards	--
Capital Loss Carryforwards	33,793
Alternative Minimum Tax Credit Carryforward	150,521
Total Deferred Tax Assets	184,314
Less: Valuation Allowance	--
	184,314
Net Deferred Tax Liabilities	$361,479
Deferred Income Taxes - Beginning Of Year	$204,948
(Benefit) Provision For Deferred Income Taxes	156,531
Deferred Income Taxes - End Of Year	$361,479

5. NOTES PAYABLE - LINE OF CREDIT

The Company has available a $500,000 line of credit from Farmers' Bank. Borrowings under the line bear interest at a varying rate and are secured by accounts receivable and marketable equity securities. There was an outstanding balance of $492,262 at April 30, 1998.

The Company has available at April 30, 1998 a $750,000 line of credit from Mercantile Safe Deposit and Trust Company. The line bears interest at a varying rate and is secured by a first lien on all accounts receivable and the personal guaranty of Richard L. China. There was an outstanding balance due of $566,750 at April 30, 1998.

Interest expense on all of the Company's obligations amounted to $41,650 for the year ended April 30, 1998.

PRIMO ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

APRIL 30, 1998

6. LEASE AGREEMENTS

The Company leases its premises on a monthly basis, currently $8,500 per month, from Mr. Primo China. Rent and associated facilities costs for the year ended April 30, 1998 amounted to $125,880.

7. PROFIT SHARING AND DEFERRED COMPENSATION PLANS

The Company maintains a profit sharing plan covering substantially all full time employees. Contributions, if any, are at the sole discretion of management. No contributions were made for the year ended April 30, 1998.

The Company adopted a deferred compensation plan (401(k)) covering substantially all of its permanent employees during the year ended April 30, 1991. The arrangement is in the form of a salary reduction agreement between eligible employees and the employer under which a contribution is made by the employer if the employee chooses to participate. Company contributions under the 401(k) arrangement for the year ended April 30, 1998 were $37,667.

8. LOANS PAYABLE - OFFICERS

The amount of $213,920 in the accompanying financial statements at April 30, 1998 represents unsecured non interest bearing loan due to the Company's officers and stockholders.

PRIMO ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

APRIL 30, 1998

9. UNCOMPLETED CONTRACTS

Earned income on uncompleted contracts is based upon the Company's projected estimated gross profit upon completion of the individual contracts. The Company's uncompleted contracts at April 30, 1998 are presented below based upon actual direct costs to date and estimated direct costs to complete, as follows:

	1998
Costs Incurred To Date	$ 10,568,905
Estimated Gross Profit Earned To Date	2,908,310
	13,477,215
Less: Billings To Date	15,215,221
	$ (1,738,006)
Included In Accompanying Balance Sheets Under The Following Captions:	
Incurred Direct Costs And Earned Projected Gross Profit In Excess Of Billings On Uncompleted Contracts	$ 399,903
Billings In Excess Of Incurred Direct Costs And Earned Projected Gross Profit On Uncompleted Contracts	(2,137,909)
	$ (1,738,006)

10. SUBSEQUENT EVENTS

On May 6, 1998 a new entity was formed known as Primenet, LLC. This entity purchased various assets from Primo Electric Company (Primenet Division) and performs the same type of service previously contracted from Primo Electric Company by its customers in the area of computer cabling and networking. Primenet, LLC is owned by stockholders of Primo Electric Company and former employees of Primo Electric Company's Primenet division.

11. AGREEMENT AND PLAN OF MERGER

The Stockholders of Primo Electric Company and the Members of Primenet, LLC entered into a binding agreement to sell their ownership in both entities to Integrated Electrical Services, Inc. The agreement is dated January 12, 1999.

PRIMO ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

APRIL 30, 1998

12. INTERIM STATEMENTS

The interim financial statements for the eight months ended December 31, 1998 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

13. COMBINATION OF ENTITIES FOR INTERIM STATEMENTS

The interim financial statements for the eight months ended December 31, 1998 represent the combined balance sheets and related statements of income and retained earnings (Members' Equity) and combined cash flows for both Primo Electric Company and Primenet, LLC.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Kayton Electric, Inc.:

We have audited the accompanying balance sheet of Kayton Electric, Inc. as of December 31, 1997 and the related statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kayton Electric, Inc. as of December 31, 1997 and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

January 28, 1998
(November 19, 1998 as to Note 8)

KAYTON ELECTRIC, INC.

Balance Sheets

September 30, 1998 (unaudited) and December 31, 1997

ASSETS	SEPTEMBER 30, 1998 (unaudited)	DECEMBER 31, 1997
Current assets:		
Cash	$ 601,667	$ 830,628
Accounts receivable, including retainages of $621,799 (unaudited) and $707,935 at September 30, 1998 and December 31, 1997, respectively	1,587,585	2,407,479
Materials for projects in progress	440,000	600,000
Costs and estimated earnings in excess of billings on uncompleted contracts	625,529	428,756
Other current assets	191,000	179,000
Total current assets	3,445,781	4,445,863
Property and equipment, at cost	2,385,300	2,315,929
Less accumulated depreciation	1,482,115	1,417,895
Net property, plant and equipment	903,185	898,034
Other assets	26,881	7,997
	$ 4,375,847	$ 5,351,894
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 452,940	$ 627,762
Current installments of long-term debt	6,000	66,000
Billings in excess of costs and estimated earnings on uncompleted contracts	614,697	1,030,465
Accrued expenses	473,740	461,938
Other current liabilities	243,937	235,683
Total current liabilities	1,791,314	2,421,848
Long-term debt	--	546,000
Total liabilities	1,791,314	2,967,848
Stockholders' equity:		
Common stock of $1 par value. Authorized 75,000 shares, issued 60,000 shares	60,000	60,000
Paid-in capital in excess of par value	84,989	84,989
Retained earnings	2,439,544	2,239,057
Total stockholders' equity	2,584,533	2,384,046
Commitments		
	$ 4,375,847	$ 5,351,894

KAYTON ELECTRIC, INC

Statements of Earnings and Retained Earnings

Nine-month periods ended September 30, 1998 and 1997 (unaudited)
and year ended December 31, 1997

	SEPTEMBER 30, 1998 (unaudited)	SEPTEMBER 30, 1997 (unaudited)	DECEMBER 31, 1997
Contract revenues	$ 10,193,439	$10,650,913	$14,991,171
Cost of construction			
Direct	8,082,121	8,706,306	12,368,485
Indirect	573,222	576,920	775,260
Total cost of construction	8,655,343	9,283,226	13,143,745
Gross profit	1,538,096	1,367,687	1,847,426
General and administrative expenses	711,438	738,029	1,016,369
Operating income	826,658	629,658	831,057
Other income (deductions):			
Interest and dividend income	25,943	1,083	5,640
Interest expense	(390)	(11,594)	(12,166)
Miscellaneous	17,276	22,458	27,624
Total other income (deductions), net	42,829	11,947	21,098
Net earnings	869,487	641,605	852,155
Retained earnings, beginning of year	2,239,057	2,009,652	2,009,652
Dividends paid	(669,000)	(622,750)	(622,750)
Retained earnings, end of year	$ 2,439,544	$ 2,028,507	$ 2,239,057

See accompanying notes to financial statements.

KAYTON ELECTRIC, INC.

Statements of Cash Flows

Nine-month periods ended September 30, 1998 and 1997 (unaudited)
and year ended December 31, 1997

	September 30, 1998	September 30, 1997	December 31, 1997
	(unaudited)		
Cash flows from operating activities:			
Net earnings	$ 869,487	$ 641,605	$ 852,155
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	180,646	190,825	258,310
Gain from sale of equipment	2,574	4,941	4,941
Changes in assets and liabilities:			
Accounts receivable	819,894	273,699	(334,935)
Materials for projects in progress	160,000	(80,000)	100,000
Costs and estimated earnings in excess of billings on uncompleted contracts	(196,773)	(77,198)	84,853
Other current assets	(12,000)	(12,000)	(16,000)
Other assets	(18,884)	3,000	2,403
Accounts payable	(174,822)	(17,186)	40,312
Billings in excess of costs and estimated earnings on uncompleted contracts	(415,768)	421,341	402,754
Accrued expenses	11,801	19,004	55,302
Other current liabilities	8,254	14,801	28,180
Total adjustments	364,922	741,227	626,120
Net cash provided by operating activities	1,234,409	1,382,832	1,478,275
Cash flows from investing activities:			
Capital expenditures	(201,745)	(185,957)	(247,379)
Proceeds from sale of equipment	13,375	5,250	5,250
Net cash used by investing activities	(188,370)	(180,707)	(242,129)
Cash flows from financing activities:			
Principal payments on long-term debt	(606,000)	(1,235,250)	(765,250)
Proceeds from long-term debt	--	600,000	730,000
Dividends paid	(669,000)	(622,750)	(622,750)
Net cash used by financing activities	(1,275,000)	(1,258,000)	(658,000)
Net increase (decrease) in cash	(228,961)	(55,875)	578,146
Cash, beginning of year/period	830,628	252,482	252,482
Cash, end of year/period	$ 601,667	$ 196,607	$ 830,628

KAYTON ELECTRIC, INC.

Notes to Financial Statements

September 30, 1998 and 1997 and December 31, 1997
(Data as of and for the nine-months periods ended
September 30, 1998 and 1997 is unaudited)

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Kayton Electric, Inc. (the Company) is engaged in electrical contracting in Nebraska and neighboring states. The length of the Company's contracts is typically less than two years.

METHOD OF ACCOUNTING FOR CONTRACTS

The Company uses the percentage-of-completion method of accounting for financial reporting and tax purposes. Revenues on contracts are recorded on the basis of the Company's estimates of the percentage of completion of individual contracts, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. Provision for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in estimated profitability are recognized in the period the revisions are determined.

MATERIALS FOR PROJECTS IN PROGRESS

Materials are stated at the lower of cost or market and are charged to job costs as they are utilized.

DEPRECIATION

Depreciation is provided by the use of the straight-line depreciation method over the estimated useful lives of the respective assets.

INCOME TAXES

The Company has elected, under the S Corporation provisions of the Internal Revenue Code, not to pay any income tax on its income and instead, to have its stockholders pay taxes on such income, whether distributed or not. Consequently, no provision has been made in the accompanying financial statements for income taxes on earnings of the Company.

USE OF ESTIMATES

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

KAYTON ELECTRIC, INC.

Notes to Financial Statements

September 30, 1998 and 1997 and December 31, 1997
(Data as of and for the nine-months periods ended
September 30, 1998 and 1997 is unaudited)

WARRANTY COSTS

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

UNAUDITED INTERIM FINANCIAL INFORMATION

The interim financial statements for the nine months ended September 30, 1998 and 1997, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

(2) CONTRACTS IN PROGRESS

Costs incurred to date, estimated earnings and the related progress billings to date of contracts in progress at September 30, 1998 and December 31, 1997 are shown below:

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
Costs incurred to date	$ 5,123,025	$5,112,997
Estimated earnings	873,459	739,808
	5,996,484	5,852,805
Less progress billings to date	5,985,652	6,454,514
	$ 10,832	$ (601,709)

KAYTON ELECTRIC, INC.

Notes to Financial Statements

September 30, 1998 and 1997 and December 31, 1997
(Data as of and for the nine-months periods ended
September 30, 1998 and 1997 is unaudited)

Included in the accompanying balance sheets at September 30, 1998 and December 31, 1997, under the following captions:

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
Costs and estimated earnings in excess of billings on contracts in progress	$ 625,529	$ 428,756
Billings in excess of costs and estimated earnings on contracts in progress	(614,697)	(1,030,465)
	$ 10,832	$ (601,709)

(3) PROPERTY, PLANT AND EQUIPMENT

A summary of the major classifications of property, plant and equipment at September 30, 1998 and December 31, 1997 is shown below:

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
Land	$ 51,556	$ 51,556
Vehicles and equipment	1,473,259	1,436,386
Tools	750,088	728,730
Office equipment	110,397	99,257
	$2,385,300	$2,315,929

KAYTON ELECTRIC, INC.

Notes to Financial Statements

September 30, 1998 and 1997 and December 31, 1997
(Data as of and for the nine-months periods ended
September 30, 1998 and 1997 is unaudited)

(4) LONG-TERM DEBT AND NOTES PAYABLE

Long-term debt at September 30, 1998 and December 31, 1997 is shown below:

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
Note payable to bank, due in monthly principal installments of $5,000 through May 2008, interest at a variable rate (9.5% at December 31, 1997), due semiannually, by asset of the Company - paid in 1998	$ --	$ 600,000
Note payable to a corporation, due in annual principal installments of $6,000 through April 1999, interest a fixed rate of 6.00%, due annually, secured by real estate property of the Company	6,000	12,000
Total long-term debt	6,000	612,000
Less current installments	6,000	66,000
Long-term debt, excluding current installments	$ --	$ 546,000

The Company has a $300,000 operating line of credit with a financial institution with an interest rate of 8.95%. At September 30, 1998 and December 31, 1997, there was no outstanding balance on the line of credit. The operating line of credit expires on May 1, 1999 and is secured by the assets of the Company.

(5) DEFERRED COMPENSATION

The Company has deferred compensation agreements with certain key employees. The Company has elected to fund the agreements by purchasing life insurance policies for each employee. The cash surrender value of the policies is included in other current assets and the deferred compensation liability is included in other current liabilities in the financial statements.

(6) RELATED PARTY TRANSACTIONS

The Company has entered into lease agreements with a shareholder for the use of certain land and buildings. The leases expire June 30, 1999. The Company incurred $24,320 and $15,300 of lease expense related to this property for each of the nine-month periods ended September 30, 1998 and 1997 and $20,400 for the year ended December 31, 1997.

KAYTON ELECTRIC, INC.

Notes to Financial Statements

September 30, 1998 and 1997 and December 31, 1997
(Data as of and for the nine-months periods ended
September 30, 1998 and 1997 is unaudited)

(7) 401(K) PROFIT SHARING PLAN AND TRUST

The Company has a 401(k) plan covering substantially all employees with one year of service and who have attained twenty-one years of age. Each participant may elect to contribute a percentage of their total compensation, not to exceed the Internal Revenue Service limitations. The Company contributes matching funds at a rate of $.50 for each dollar of the first 3% of the participant's contribution. The employer may also make an additional discretionary matching contribution each year. Company contributions to the plan are shown below:

	SEPTEMBER 30, 1998	SEPTEMBER 30 1997	DECEMBER 31, 1997
Matching contributions	$20,493	$ 23,010	$ 30,027
Discretionary contribution	--	--	8,000
Total employer contributions	$20,493	$ 23,010	$ 38,027

(8) SUBSEQUENT EVENT

On November 19, 1998, all the Company's common stock was sold to an unrelated purchaser, Integrated Electrical Services, Inc. and the Company became a subsidiary of Integrated Electrical Services, Inc.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bachofner Electric, Inc.
Portland, Oregon

We have audited the accompanying balance sheet of Bachofner Electric, Inc. as of December 31, 1997 and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bachofner Electric, Inc. as of December 31, 1997, and the results of operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

PECK & KOPACEK, P.C.

Beaverton, Oregon
January 25, 1999

BACHOFNER ELECTRIC, INC.
BALANCE SHEETS

	December 31, 1997	October 31, 1998 (unaudited)
ASSETS		
CURRENT ASSETS:		
Cash	$ 648,929	$ 723,809
Marketable debt securities (Note 2)	697,525	--
Receivables (Notes 3 and 7)	548,842	815,494
Costs and estimated earnings in excess of billings on contracts in progress (Notes 5 and 7)	221,818	158,394
Prepaid expenses	19,110	23,049
TOTAL CURRENT ASSETS	2,136,224	1,720,746
Note receivable (Note 4)	41,311	43,277
Property and equipment, net (Notes 6 and 7)	217,536	177,521
	$2,395,071	$1,941,544
LIABILITIES		
CURRENT LIABILITIES:		
Notes payable, current portion (Note 7)	$ 29,802	$ 51,752
Trade accounts payable	78,873	272,719
Accrued payroll and payroll taxes	14,629	--
Billings in excess of costs and estimated earnings on contracts in progress (Note 5)	4,305	132,476
Accrued interest	370	--
Other accrued expenses	6,965	10,097
State income tax payable (Note 8)	10	--
TOTAL CURRENT LIABILITIES	134,954	467,044
Notes payable, long-term portion (Note 7)	79,739	93,527
	214,693	560,571
Commitments (Notes 5 and 14)		
STOCKHOLDERS' EQUITY		
Common stock, no par value; 100 shares authorized, issued and outstanding (Note 9)	20,000	20,000
Retained earnings (Note 8)	2,160,378	1,360,973
	2,180,378	1,380,973
	$2,395,071	$1,941,544

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

BACHOFNER ELECTRIC, INC.
STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 1997	For the Ten Months Ended October 31, 1997	1998
		(unaudited)	(unaudited)
CONTRACT REVENUES	$ 4,857,603	$ 4,014,954	$ 4,109,041
CONTRACT COSTS	3,032,704	2,654,381	2,982,703
GROSS PROFIT	1,824,899	1,360,573	1,126,338
General and administrative expenses	837,045	637,029	720,583
INCOME FROM OPERATIONS	987,854	723,544	405,755
OTHER INCOME (Expense):			
Interest income	54,076	40,481	38,051
Miscellaneous income	17,401	31,776	24,290
Gain on sale of equipment (Note 12)	30,132	--	--
Interest expense	(11,320)	(6,201)	(7,479)
	90,289	66,056	54,862
INCOME BEFORE PROVISION FOR STATE INCOME TAX	1,078,143	789,600	460,617
Provision for state income tax (Note 8)	10	10	10
NET INCOME	$ 1,078,133	$ 789,590	$ 460,607

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

BACHOFNER ELECTRIC, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Year Ended December 31, 1997:

	Common Stock Shares	Common Stock Amount	Retained Earnings	Totals
Balances, January 1, 1997	100	$ 20,000	$1,661,055	$1,681,055
Net income			1,078,133	1,078,133
Dividends to Stockholders			(578,810)	(578,810)
Balances, December 31, 1997	100	$ 20,000	$2,160,378	$2,180,378

For the Ten Months Ended October 31, 1998 (unaudited):

	Common Stock Shares	Common Stock Amount	Retained Earnings	Totals
Balances, January 1, 1998	100	$ 20,000	$2,160,378	$2,180,378
Net income			460,607	460,607
Dividends to Stockholders			(1,260,012)	(1,260,012)
Balances, October 31, 1998	100	$ 20,000	$1,360,973	$1,380,973

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

BACHOFNER ELECTRIC, INC.
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 1997	For the Ten Months Ended October 31, 1997 (unaudited)	For the Ten Months Ended October 31, 1998 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 1,078,133	$ 789,590	$ 460,607
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	65,036	54,200	43,324
Gain on sale of equipment	(30,132)	(30,132)	(15,109)
Changes in operating assets and liabilities:			
Receivables	156,486	96,321	(277,668)
Costs and estimated earnings in excess of billings on contracts in progress	(144,921)	6,522	63,424
Other assets	24,131	31,597	(3,939)
Accounts payable and other liabilities	(250,259)	(89,300)	181,969
Billings over costs and estimated earnings	--	(95,663)	128,171
NET CASH PROVIDED BY OPERATING ACTIVITIES	898,474	763,135	580,779
CASH FLOWS FROM INVESTING ACTIVITIES (Note 13):			
Equipment additions	(44,395)	(39,760)	(123,826)
Proceeds from sale of equipment	--	--	19,500
Repayments on notes receivable	59,475	58,800	9,050
Proceeds from (purchase of) marketable debt securities	(697,525)	--	697,525
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(682,445)	19,040	602,249
CASH FLOWS FROM FINANCING ACTIVITIES (Note 13):			
Proceeds from borrowings	--	--	65,540
Principal payments on notes payable	(27,140)	(7,979)	(29,802)
Dividends paid to stockholders	(578,810)	(551,983)	(1,143,886)
NET CASH USED BY FINANCING ACTIVITIES	(605,950)	(559,962)	(1,108,148)
Increase (decrease) in cash	(389,921)	222,213	74,880
Cash, beginning of period	1,038,850	1,038,850	648,929
Cash, end of period	$ 648,929	$ 1,261,063	$ 723,809
SUPPLEMENTAL DISCLOSURES:			
Cash paid for interest	$ 12,500	$ 6,201	$ 7,479
Cash paid for income taxes	$ 10	$ 10	$ 10
Land and building distributed to stockholders as dividends	$ --	$ --	$ 116,126
Equipment sold through increase in notes receivable	$ --	$ 44,593	$ --

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

BACHOFNER ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS

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1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Bachofner Electric, Inc. was incorporated in the State of Oregon on March 1, 1984. Company headquarters are located in Portland, Oregon.

The following is a summary of the Company's significant accounting policies:

Company's Activities and Operating Cycle

The Company engages in commercial electrical contracting within the Portland, Oregon metropolitan area. The Company's contracting is performed under fixed-price, and time and material contracts. The operating cycles of the Company's contracts vary but generally are less than one year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues and Cost Recognition

Revenues from fixed-price and modified fixed-price electrical contracts are recognized using the percentage-of-completion method, measured by the actual costs incurred to date to estimated total costs for each contract. This method is used because management considers costs incurred to be the best available measure of progress on these contracts. Because of inherent uncertainties in estimating, it is at least reasonably possible that the Company's estimates of revenues and costs will change in the near term due to changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements. Revisions are recognized in the period in which the related changes are determined. Projected contract losses are provided for in their entirety in the period first determined without reference to the percent complete.

BACHOFNER ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS, Continued

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1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Revenues and Cost Recognition, Continued

Revenues from time and material contracts are recognized as work is performed.

Contract costs include all direct material, labor and subcontractor costs. Unallocated costs include shop and equipment expenses not identified with a specific contract. Unallocated costs and general and administrative expenses are charged to operations as incurred.

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

Property and Equipment

Property and equipment are stated at cost. Depreciation of buildings and improvements is computed using the straight-line method. Depreciation of equipment is computed using tax basis accelerated methods, which result in amounts that are not materially different than had a method allowed under generally accepted accounting principles been applied. Maintenance and repairs are charged to operations as incurred; expenditures for additions, improvements and replacements are capitalized. Gains or losses from dispositions are reflected in operations.

Advertising Costs

The Company expenses advertising costs the first time the advertising takes place. Advertising expense was $45,779 for the year ended December 31, 1997.

Income Taxes

The stockholders of the Company have elected to have the corporation taxed as an S-corporation whereby taxable income or loss is included in the personal income tax returns of the stockholders. Accordingly, the provision for income taxes is limited to a $10 state income tax required by the State of Oregon.

BACHOFNER ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS, Continued

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1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Income Taxes, Continued

Certain revenues and costs are reported in different periods for income tax reporting purposes than for financial reporting. These differences arise from the use of the percentage-of-completion method of recognizing revenues and costs on electrical contracts in progress for financial reporting while using the completed contract method for tax reporting.

Cash Flows

For purposes of the statement of cash flows, the Company considers cash and short-term investments with maturities of three months or less to be cash.

2. MARKETABLE DEBT SECURITIES:

Marketable debt securities consist of the following as of December 31, 1997:

	Amortized Cost	Gross Unrealized Gains (losses)	Fair Value
Held to maturity U.S. Government bonds	$496,331	$ 2,419	$498,750
Municipal bonds	201,194	(374)	200,820
	$697,525	$ 2,045	$699,570

The debt securities mature in 1998.

BACHOFNER ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS, Continued

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3. RECEIVABLES:

Receivables consist of the following as of December 31, 1997 (see Notes 4 and 7):

Current receivables on electrical contracts	$ 519,693
Retainages receivable on contracts	20,311
Officer receivables	11,357
Employee advances	874
Note receivable, amounts maturing within one year	2,607
	554,842
Less: allowance for doubtful accounts	(6,000)
	$ 548,842

4. NOTES RECEIVABLE:

The note receivable consists of the following as of December 31, 1997 (see Notes 3 and 12):

Unsecured note receivable from an affiliated corporation in monthly installments of $538, including interest at 9.0%; June 2008 maturity:	
Amounts maturing within one year	$ 2,607
Amounts maturing after one year	41,311
	$43,918

Interest income on the note aggregated $4,629 for the year ended December 31, 1997.

BACHOFNER ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS, Continued

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5. ELECTRICAL CONTRACTS:

Activity on electrical contracts in progress consist of the following as of December 31, 1997 (see Note 7):

Costs incurred to date	$ 532,260
Estimated earnings on percentage-of-completion basis	261,130
Revenues recognized	793,390
Less: billings to date	(575,877)
	$ 217,513

Included in the accompanying balance sheet as follows:

Costs and estimated earnings in excess of billings on contracts in progress	$ 221,818
Billings in excess of costs and estimated earnings on contracts in progress	(4,305)
	$ 217,513

The following schedule summarizes electrical contract backlog for the year ended December 31, 1997:

Electrical contract backlog, beginning of year	$ 1,107,729
New contracts and contract adjustments	5,454,697
	6,562,426
Less: electrical contract revenues recognized during the year	(4,857,603)
Electrical contract backlog, end of year	$ 1,704,823

Additionally, from December 31, 1997 through January 25, 1999 the Company entered into electrical contracts with estimated revenues aggregating $5,391,000.

BACHOFNER ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS, Continued

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6. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following as of December 31, 1997 (see Notes 7 and 14):

Land	$ 44,256
Buildings and improvements	97,105
Construction equipment and tools	81,255
Office furniture and equipment	134,808
Vehicles	221,593
	579,017
Less: accumulated depreciation	(361,481)
	$ 217,536

Estimated service lives for depreciation purposes are as follows:

Asset Category	Years
Buildings and improvements	32 Years
Construction equipment and tools	5 Years
Office furniture and equipment	5-7 Years
Vehicles	3-7 Years

Depreciation expense aggregated $65,036 for the year ended December 31, 1997.

7. NOTES PAYABLE:

Notes payable consist of the following as of December 31, 1997:

	Current Portion	Long-term Portion	Totals
Notes payable to U.S. National Bank of Oregon in monthly installments of $3,174, including interest at 8.6%; collateralized by vehicles (Note 6); various maturities to April 2001	$29,802	$79,739	$109,541

BACHOFNER ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS, Continued

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7. NOTES PAYABLE, Continued:

Future principal maturities on the notes payable consist of the following as of December 31, 1997:

For the Year to End December 31,	Amounts
1998	$ 29,802
1999	32,476
2000	35,391
2001	11,872
	$109,541

The Company has a line-of-credit agreement with U.S. National Bank of Oregon for borrowings up to $200,000 with interest at 1.5% above the bank's prime rate. Borrowings under the line-of-credit agreement are collateralized by receivables, contracts in progress and equipment, subject to prior encumbrances and are guaranteed by Company stock-holders. There were no outstanding borrowings under the agreement as of December 31, 1997. The agreement is renewed annually in May.

8. INCOME TAXES:

The provision for state income tax consists of the following for the year ended December 31, 1997:

Currently payable provision:	
State of Oregon tax	$ 10

With the election of S-corporation tax reporting status the taxable income or losses of the corporation are reported on the individual income tax returns of the Company's stockholders with the Company incurring only an annual tax of $10 to the State of Oregon. Temporary differences between the Company's financial statements and tax returns result in the following analysis of retained earnings as of December 31, 1997:

Retained earnings recognized for federal income tax purposes through December 31, 1997:	
S-corporation accumulations	$1,884,828

BACHOFNER ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS, Continued

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8. INCOME TAXES, Continued:

Retained earnings representing income not yet recognized for federal income tax purposes due to temporary reporting differences in the reporting of contracts in progress	275,550
Retained earnings as of December 31, 1997, per the accompanying financial statements	$2,160,378

The Company has distributed $1,437,371 in dividends to its stockholders from December 31, 1997 through January 25, 1999.

9. COMMON STOCK:

All of the Company's outstanding shares of common stock are subject to a buy/sell agreement which places restrictions on the sale of shares (see Note 14).

10. RETIREMENT PLANS:

Company employees with at least 1000 hours of service and not covered by collective bargaining agreements may participate in a 401-K retirement plan where the Company matches employee contributions up to a maximum of 4% of gross pay. Company contributions to the plan aggregated $6,265 for the year ended December 31, 1997.

The Company also maintains a defined contribution profit-sharing plan which covers all employees not covered by a collective bargaining agreement which have completed one year of service and attained the age of 21. Contributions are determined by the Board of Directors. Contributions to the plan for 1997 aggregated $50,000.

BACHOFNER ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS, Continued

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11. CONCENTRATIONS:

Financial instruments which potentially subject the Company to credit risk consist of cash, marketable debt securities, and accounts receivables. The Company's cash balances are concentrated at a regional bank. The balances periodically exceed insured limits. Bank balances exceeded insured amounts by $649,297 as of December 31, 1997. The marketable debt securities are due from a federal agency and a city government. The Company's receivables are highly concentrated in owners and/or general contractors of construction projects in the states of Oregon and Washington.

Five of the Company's customers accounted for approximately 55% of the Company's revenues for 1997.

12. RELATED PARTY TRANSACTIONS:

The assets, liabilities and operations of the former telecommunications division of the Company were transferred to Bachofner Datacom, Inc. in 1996. Bachofner Datacom, Inc., a corporation with headquarters in Portland, Oregon, is owned by the stockholders of Bachofner Electric, Inc. Vehicles were sold to Bachofner Datacom, Inc. during 1997 for a gain of $30,132 (see Note 13). Interest income on a note receivable from Bachofner Datacom, Inc. aggregated $4,629 during the year ended December 31, 1997 (see Note 4 for note receivable balance).

13. SUPPLEMENTARY INFORMATION ON NONCASH INVESTING AND FINANCING ACTIVITIES:

The Company transferred vehicles to an affiliated corporation in exchange for a note receivable during the year ended December 31, 1997 as follows (see Notes 4 and 12):

Net book value of vehicles	$14,461
Gain recognized	30,132
Note receivable	$44,593

BACHOFNER ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS, Continued

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14. SUBSEQUENT EVENTS:

The land and building assets held by the Company as of December 31, 1997 were distributed to the stockholders of the Company during 1998. Effective November 1, 1998 the Company entered into a five year lease agreement with the stockholders with monthly lease payments of $3,000. The agreement requires an increase of 3% per annum. Future minimum lease commitments are as follows as of December 31, 1997:

For the Year to End December 31,	Amounts
1998	$ 6,000
1999	36,180
2000	37,266
2001	39,336
2002	40,512
2003	33,760
	$193,054

The stockholders of the Company signed an agreement in principle in December 1998 to sell their ownership in the Company. The sale was completed in January 1999.

15. UNAUDITED INTERIM FINANCIAL STATEMENTS:

The accompanying interim financial statements as of October 31, 1998, and for the ten months ended October 31, 1997 and 1998 are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire year.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To PCX Corporation:

We have audited the accompanying balance sheet of PCX Corporation (a Delaware corporation) as of December 31, 1997, and the related statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PCX Corporation as of December 31, 1997, and the results of its operations and its cash flows for year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Raleigh, North Carolina,
March 17, 1998.

PCX CORPORATION

BALANCE SHEETS -- DECEMBER 31, 1997, AND SEPTEMBER 30, 1998 (UNAUDITED)

ASSETS	DECEMBER 31, 1997	SEPTEMBER 30, 1998 (unaudited)
CURRENT ASSETS:		
Cash	$ 706,722	$ 78,375
Accounts receivable, net	1,711,577	2,651,641
Other receivables	217,071	29,532
Inventories	1,231,269	1,159,233
Other current assets	59,025	155,608
Total current assets	3,925,664	4,074,389
DEFERRED TAX ASSETS	11,565	11,565
PROPERTY AND EQUIPMENT, net	989,982	982,461
OTHER ASSETS	20,000	20,000
	$4,947,211	$5,088,415

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 1997	SEPTEMBER 30, 1998
CURRENT LIABILITIES:		
Line of credit	$ 0	$ 164,000
Accounts payable	1,298,522	1,544,711
Accrued liabilities	995,293	308,268
Other current liabilities	206,848	115,790
Total current liabilities	2,500,663	2,132,769
DEFERRED TAX LIABILITY	8,000	8,000
COMMITMENTS AND CONTINGENCIES (Notes 5, 7, 8 and 9)		
STOCKHOLDERS' EQUITY:		
Series A convertible preferred stock	1,356,422	1,099,422
Common stock, $.001 per share par value, 3,000,000 shares authorized; 961,000 and 1,650,000 issued and outstanding in 1997 and 1998	355	1,650
Additional paid-in capital, common stock	40,645	208,350
Accumulated earnings	1,041,126	1,638,224
Total stockholders' equity	2,438,548	2,947,646
	$4,947,211	$5,088,415

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

PCX CORPORATION

STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1997, AND THE NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 1997 (UNAUDITED), AND SEPTEMBER 30, 1998 (UNAUDITED)

	YEAR ENDED DECEMBER 31, 1997	NINE-MONTH PERIODS ENDED SEPTEMBER 30, 1997	SEPTEMBER 30, 1998
		(unaudited)	(unaudited)
GROSS SALES	$12,596,434	$9,238,194	$10,650,615
SALES DISCOUNTS	(156,823)	(104,483)	(302,948)
NET SALES	12,439,611	9,133,711	10,347,667
COST OF SALES	(8,961,366)	(6,645,381)	(7,688,288)
Gross profit	3,478,245	2,488,330	2,659,379
SELLING EXPENSES	(639,805)	(467,977)	(501,735)
ENGINEERING EXPENSES	(489,035)	(337,277)	(464,322)
GENERAL AND ADMINISTRATIVE EXPENSES	(749,389)	(559,940)	(422,227)
Income from operations	1,600,016	1,123,136	1,271,095
INTEREST EXPENSE	(52,180)	(51,657)	(345)
INTEREST INCOME	8,814	303	11,322
OTHER EXPENSES	0	0	(200,981)
INCOME BEFORE INCOME TAX PROVISION	1,556,650	1,071,782	1,081,091
INCOME TAX PROVISION	566,546	404,578	408,092
NET INCOME	$ 990,104	$ 667,204	$ 672,999

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

PCX CORPORATION

STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1997, AND THE NINE-MONTH PERIOD ENDED
SEPTEMBER 30, 1998 (UNAUDITED)

	SERIES A CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL STOCK	ACCUMULATED EARNINGS	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT			
BALANCE, December 31, 1996	1,256,481	$1,252,922	165,000	$ 165	$ 18,035	$ 154,522	$1,425,644
Exercise of common stock options	0	0	796,000	190	22,610	0	22,800
Cumulative preferred stock dividend accrual	0	103,500	0	0	0	(103,500)	0
Net income	0	0	0	0	0	990,104	990,104
BALANCE, December 31, 1997	1,256,481	1,356,422	961,000	355	40,645	1,041,126	2,438,548
Exercise of common stock options (unaudited)	0	0	689,000	1,295	167,705	0	169,000
Cumulative preferred stock dividend accrual (unaudited)	0	75,901	0	0	0	(75,901)	0
Payment of cumulative preferred stock dividends (unaudited)	0	(332,901)	0	0	0	0	(332,901)
Net income (unaudited)	0	0	0	0	0	672,999	672,999
BALANCE, September 30, 1998 (unaudited)	1,256,481	$1,099,422	1,650,000	$1,650	$208,350	$1,638,224	$2,947,646

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

PCX CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1997, AND THE NINE-MONTH PERIODS
ENDED SEPTEMBER 30, 1997 (UNAUDITED), AND SEPTEMBER 30, 1998 (UNAUDITED)

	DECEMBER 31, 1997	SEPTEMBER 30, 1997 (UNAUDITED)	SEPTEMBER 30, 1998 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 990,104	$ 667,204	$ 672,999
Adjustments to reconcile net income to net cash provided by (used in) operating activities-			
Benefit from deferred taxes	60,226	0	0
Depreciation and amortization	170,000	125,000	176,679
Gain (loss) on sale of property and equipment	(60,188)	(61,440)	793
Increase (decrease) in net cash from changes in operating assets and liabilities:			
Increase in accounts receivable and other receivables	(65,718)	(635,994)	(752,525)
(Increase) decrease in inventories	39,018	177,774	72,036
(Increase) decrease in other current assets	(43,888)	(20,534)	(96,583)
Increase in accounts payable	337,236	89,027	246,189
Increase (decrease) in accrued liabilities	451,150	163,323	(687,025)
Decrease in other current liabilities	(335,056)	(354,016)	(91,058)
Net cash provided by (used in) operating activities	1,542,884	150,344	(458,495)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(837,155)	(101,292)	(172,451)
Proceeds from sale of property and equipment	708,492	695,992	2,500
Net cash (used in) provided by investing activities	(128,663)	594,700	(169,951)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from line of credit	4,287,000	4,287,000	626,000
Payment of line of credit	(4,634,000)	(4,634,000)	(462,000)
Payment of long-term debt	(448,617)	(448,617)	0
Payment of preferred dividends	0	0	(332,901)
Proceeds from the exercise of common stock options	22,800	22,800	169,000
Net cash (used in) provided by financing activities	(772,817)	(772,817)	99
NET INCREASE (DECREASE) IN CASH	641,404	(27,773)	(628,347)
CASH, beginning of period	65,318	65,318	706,722
CASH, end of period	$ 706,722	$ 37,545	$ 78,375
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES - Cumulative preferred dividend accrual	$ 103,500	$ 77,625	$ 75,901
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for interest	$ 57,089	$ 56,566	$ 345
Cash paid during the year for income taxes	438,900	386,600	899,379

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

PCX CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997, SEPTEMBER 30, 1997 (UNAUDITED)
AND SEPTEMBER 30, 1998 (UNAUDITED)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS:

PCX Corporation (the Company) is engaged in the design, manufacture and sale of electrical power distribution centers (Electrical Centers) and electrical generator houses (Power Centers) for industrial and commercial facilities, typically large retail chains. The Company was incorporated on June 10, 1993, in the state of Delaware.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INTERIM FINANCIAL STATEMENTS

The accompanying interim financial statements and related disclosures for the nine months ended September 30, 1997 and 1998, have not been audited by independent accountants. However, the financial statements for all interim periods have been prepared in conformity with the accounting principles stated in the audited financial statements for the year ended December 31, 1997, and include all adjustments (which were of a normal, recurring nature) which, in the opinion of management, are necessary to present fairly the financial position of the Company and the results of operations and cash flows for each of the periods presented. The operating results for the interim periods presented are not necessarily indicative of results for the full year.

CASH

The Company records as cash and cash equivalents all cash and short-term investments with original maturities of three months or less.

CONCENTRATION OF CREDIT RISK

The Company's sales are highly concentrated in a single customer. This customer accounted for approximately 46% of sales in the year ended December 31, 1997, and 43% and 51% of sales for the nine months ended September 30, 1997 and 1998 (unaudited), respectively. The associated accounts receivable from this customer represented approximately 34% and 13% of total accounts receivable at December 31, 1997, and September 30, 1998 (unaudited), respectively. Sales to two other major customers accounted for approximately 28% of sales in the year ended December 31, 1997, and 29% and 21% of sales for the nine months ended September 30, 1997 and 1998 (unaudited), respectively. The associated accounts receivable for these customers represented approximately 40% and 41% of total accounts receivable at December 31, 1997, and September 30, 1998 (unaudited), respectively. The loss of a significant customer could have a material impact on the Company's future earnings results. These sales are primarily derived from sales of Electrical Centers and Power Centers to a limited number of retail chains for new store construction and remodeling. The Company has recorded an allowance for doubtful accounts of approximately $7,000 and $27,800 as of December 31, 1997, and September 30, 1998 (unaudited), respectively. Management believes that these allowances are adequate.

INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventory costs include raw materials, labor and manufacturing overhead.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. On September 15, 1997, PCX sold their then existing land and building for $688,492 resulting in a gain of $60,058 and relocated to a leased facility. The building was depreciated over 20 years. Machinery and equipment and furniture and fixtures are depreciated between three and five years. Leasehold improvements are depreciated between five and 10 years.

At December 31, 1997, and September 30, 1998, property and equipment consisted of:

	DECEMBER 31, 1997	SEPTEMBER 30, 1998 (unaudited)
Furniture and fixtures	$ 499,361	$ 620,512
Machinery and equipment	433,123	463,636
Leasehold improvements	343,336	357,415
	1,275,820	1,441,563
Less - Accumulated depreciation	(285,838)	(459,102)
Property and equipment, net	$ 989,982	$ 982,461

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable and accounts payable. Estimates of the fair value of these instruments are based on interest rates available to the Company. At December 31, 1997, and September 30, 1998, the carrying value of the Company's financial instruments approximated the fair value.

3. INVENTORIES:

At December 31, 1997, and September 30, 1998, inventories consisted of the following:

	DECEMBER 31, 1997	SEPTEMBER 30, 1998
		(unaudited)
Finished goods	$ 117,653	$ 0
Work in process	389,588	830,624
Raw materials	724,028	328,609
	$1,231,269	$1,159,233

4. LINE OF CREDIT:

During 1997, the Company renegotiated its line-of-credit facility (LOC) with Wachovia Bank. Advances on the LOC are limited to 70% of eligible accounts receivable as defined and 50% of raw and finished inventory. As of September 30, 1998, the maximum amount available under the LOC is approximately $1,000,000 with interest due at prime (8.25% at September 30, 1998), plus .375%. As of September 30, 1998, a total of $164,000 was outstanding. This line of credit, which expires March 15, 1999, is collateralized by the Company's accounts receivable, inventory and equipment.

5. LEASE COMMITMENTS:

FACILITY LEASE

On February 3, 1997, the Company entered into a facility lease. During the initial lease term of 10 years, the annual commitment is $236,750, to be escalated by 2.5% annually. The Company began paying rent under this lease in September 1997. Total rental expense under this lease was approximately $53,000 for the year ended December 31, 1997, and $14,500 and $178,000 for the nine months ended September 30, 1997 and 1998 (unaudited), respectively.

Future minimum rental payments under the facility lease, are as follows:

	YEARS ENDING	
	DECEMBER 31, 1997	SEPTEMBER 30, 1998
		(unaudited)
1998	$ 237,736	
1999	243,680	247,724
2000	249,772	253,917
2001	256,016	260,265
2002	262,417	266,772
2003	268,977	273,441
Thereafter	1,094,344	1,214,366
	$2,612,942	$2,516,485

6. INCOME TAXES:

The Company has adopted Statement of Financial Accounting Standards No. 109 (SFAS No. 109). The primary objective of SFAS No. 109 is to recognize deferred tax assets and liabilities for the expected future tax consequences of existing differences between the financial reporting and tax reporting basis of assets and liabilities, and of net operating loss and tax credit carryforwards for tax purposes.

Deferred tax assets and liabilities arise from net operating loss carryforwards and temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. The Company's primary differences relate to the reporting of certain reserves and expenses that are capitalized for income tax purposes.

Under SFAS No. 109, a deferred tax asset is established for the complete amount of tax benefits available in future periods from the assumed realization of tax net operating loss carryforwards. In addition, a deferred tax asset or liability is established for the complete amount of tax benefits or liabilities from the assumed effect of temporary differences. A valuation allowance is established to adjust the deferred asset to its estimated net realizable value. The components of the net deferred tax assets and liabilities as of December 31, 1997, and September 30, 1998, were as follows:

	DECEMBER 31, 1997
Deferred tax assets-	
Net operating loss carryforwards	$50,000
Temporary differences	18,000
	68,000
Less - Valuation allowance	(24,260)
	$43,740
Deferred tax liabilities related to temporary differences	$(8,000)

The Company's 1998 income tax provision differs from the amount computed by applying the federal statutory rate to income before income taxes, due primarily to the impact of permanent differences between book and taxable income and the impact of state income taxes.

As of December 31, 1997, the Company had available approximately $50,000 of net operating loss carryforwards for federal income tax reporting purposes which will expire in 2010. Due to the change in ownership occurring upon the issuance of convertible preferred stock in July 1994, the Company's ability to utilize such loss carryforwards in any one year generated prior to the change in ownership is limited. This annual limitation is equal to the value of the Company prior to the redemption multiplied by an interest rate determined by the Internal Revenue Service. To the extent that the Company is unable to utilize any of the net operating loss prior to the change in ownership, in a given year due to insufficient taxable income, that year's annual limitation may be carried forward to increase the subsequent year's limitation.

Under SFAS No. 109, the criteria for recording a deferred tax asset is "more likely than not" that such an asset will be realized. Since there are certain limitations on the utilization of the above net operating loss carryforwards in future years, management provided a valuation allowance for the above deferred tax asset generated by the net operating loss carryforward.

7. SERIES A CONVERTIBLE PREFERRED STOCK:

The Company has authorized 1,256,481 shares of Series A convertible preferred stock. In 1994, the Company changed its preferred stock from no par to $.001 par value per share along with various other rights.

The terms of the Series A convertible preferred stock (Series A shares) include, among other things, the following, as defined in the Series A preferred stock purchase agreement:

- The Series A shares are entitled to cumulative dividends, when and if declared by the Board of Directors from and after July 8, 1995. Dividends when and if declared will be calculated at an annual rate of approximately $.08 per share. As of December 31, 1997, the Company had accrued $257,000 of cumulative dividends due to preferred stockholders. In September 1998, the Company paid in full all accrued dividends due to preferred stockholders in the amount of approximately $333,000.

- The Series A shares are entitled to a liquidation preference, as defined by the certificate of incorporation. This amount is payable prior to and in preference of any distribution on common stock. The liquidation preference was approximately $3,003,000 at September 30, 1998.

- Each Series A share issued and outstanding has the right to vote, as defined. The number of votes correspond to the number of shares of common stock into which the shares would be convertible.

- Each share is convertible into one share of common stock at any time at the option of its holder or automatically upon the closing of the sale of the Company's common stock in a firm commitment or underwritten public offering of the Company's securities resulting in net proceeds of not less than $7,000,000 (see Note 10). The conversion ratio is subject to adjustment, as defined.

- Holders of the shares have the right of first participation to purchase up to its pro rata share, as defined, of all new securities which the Company proposes to sell and issue.

- At any time after June 15, 1999, each preferred stockholder shall have the option to put all or any portion of its Series A shares to the Company, and the Company shall thereby be obligated to purchase said shares. The purchase price for the shares of preferred stock is based pro rata upon the higher of a multiple of earnings or the appraised value of the Company as defined. Due to the volatility of the Company's operations since its inception, the Company was not able to reasonably estimate the put price of such Series A preferred stock.

8. COMMON STOCK AND STOCK PLAN:

In 1994, the Company adopted a stock option plan (the Plan) which authorizes the issuance of options to purchase shares of common stock. The Company applies APB Opinion No. 25 and related interpretations in accounting for the Plan. The fair value of options granted in 1997 was equal to the exercise price at the date of grant. Accordingly, no compensation cost has been recorded. Had compensation cost for the Plan been determined based on the fair value of options at the grant dates consistent with the method of SFAS No. 123, the effect on net income in 1997 would not be material. Options issued under the Plan vest over a five-year period and may be exercised within 10 years of the grant date. In 1996, the Board of Directors authorized an additional 70,000 shares available for grant under the Plan. As of December 31, 1997, all but 70,000 available shares had been granted.

The following table summarizes the activity under the Plan:

	OPTIONS OUTSTANDING	EXERCISE PRICE RANGE
Balances, December 31, 1997	639,000	$.12 - .20
Granted (unaudited)	50,000	.20
Exercised (unaudited)	(689,000)	.12 - .20
Forfeited (unaudited)	0	.20
Balances, September 30, 1998 (unaudited)	0	$.12 - $.20

In 1997, 606,000 options were exercised. In lieu of cash proceeds, a promissory note of $75,600 was issued to the Company and netted against common stock and additional paid in capital at December 31, 1997. The promissory note was paid in 1998 and the equity accounts were adjusted accordingly to reflect the net proceeds related to the options exercised. In 1998, the Company accelerated the vesting of all outstanding options, including those granted in the current year. All outstanding options were exercised prior to September 30, 1998, resulting in net proceeds of $93,400.

The Company has reserved common stock in connection with the following:

	DECEMBER 31, 1997	SEPTEMBER 30, 1998
Conversion of preferred stock	1,256,481	1,256,481
Employee stock option plan	639,000	0
	1,895,481	1,256,481

9. BENEFIT PLANS:

On January 1, 1996, the Company established a defined contribution 401(k) plan that covers all eligible employees. The plan provides for the Company to match voluntary employee contributions at a rate of 50%. The maximum employee contribution the Company will match is 4% which equates to a maximum of 2% of annual compensation. Such matching rate can be changed at the Company's discretion. All contributions by the Company are funded currently and vest over four years. All employee contributions are immediately vested. Company matching contributions to the plan were $29,319 for the year ended December 31, 1997, and $20,762 and $25,248 for the nine months ended September 30, 1997 and 1998, respectively (unaudited).

10. SUBSEQUENT EVENT:

On January 29, 1999, the Company completed the sale of all of its outstanding common stock to Integrated Electrical Services (IES). Concurrent with the sale transaction, all outstanding Series A preferred stock was converted into common stock consistent with the terms of the Series A preferred stock purchase agreement (Note 7). The sale proceeds were distributed to stockholders in accordance with the aforementioned agreement.

INTEGRATED ELECTRICAL SERVICES, INC.

UNAUDITED PRO FORMA FINANCIAL STATEMENTS
BASIS OF PRESENTATION

The following unaudited pro forma financial statements give effect to (i) the acquisitions by Integrated Electrical Services, Inc. ("IES"), of 16 companies and related entities engaged in all facets of electrical contracting and maintenance services on January 30, 1998 (together, the "Founding Companies"), and related transactions, (ii) the acquisitions of 32 additional electrical contracting and maintenance businesses from April 1998 through January 31, 1999 (the "Acquired Companies") and (iii) the issuance in January 1999, of Senior Subordinated Notes due 2009 (the "Notes") and the application of the net proceeds therefrom. The unaudited pro forma balance sheet reflects the acquisition of 11 of the Acquired Companies which were acquired subsequent to September 30, 1998 (the "Fiscal 1999 Acquisitions"), and the issuance of the Notes and the application of the net proceeds therefrom as if they had occurred on September 30, 1998. The unaudited pro forma combined statements of operations present the statement of operations data from the consolidated financial statements of IES for the fiscal year ended September 30, 1998, combined with the pre-acquisition results of operations for the Founding Companies and the Acquired Companies and give effect to the pro forma adjustments related to these transactions as if they had occurred on October 1, 1997.

IES has analyzed the savings that it expects to realize from reductions in salaries, bonuses and certain benefits to the owners. To the extent the owners of the Founding Companies and the Acquired Companies have contractually agreed to changes in salary, bonuses, benefits and lease payments, these changes have been reflected in the unaudited pro forma combined statement of operations.

Certain pro forma adjustments are based on preliminary estimates, available information and certain assumptions that Company management deems appropriate and may be revised as additional information becomes available. The pro forma financial data do not purport to represent what IES's financial position or results of operations would actually have been if such transactions in fact had occurred on those dates and are not necessarily representative of IES's financial position or results of operations for any future period. Since the acquired entities were not under common control or management prior to their acquisition by IES, historical combined results may not be comparable to, or indicative of, future performance. The unaudited pro forma financial statements should be read in conjunction with the historical consolidated financial statements and notes thereto included in IES's Annual Report on Form 10-K for the fiscal year ended September 30, 1998.

INTEGRATED ELECTRICAL SERVICES, INC.

UNAUDITED PRO FORMA BALANCE SHEET
SEPTEMBER 30, 1998
(IN THOUSANDS)

	IES AND SUBSIDIARIES	FISCAL 1999 ACQUISITIONS	PRO FORMA ADJUSTMENTS	OFFERING ADJUSTMENT	PRO FORMA AS ADJUSTED
ASSETS					
CURRENT ASSETS:					
Cash	$ 14,583	$ 5,865	$ (34,521)	$ 54,300	$ 40,227
Receivables, net	146,327	17,334	(414)	--	163,247
Inventories, net	6,440	1,796	(10)	--	8,226
Cost and estimated earnings in excess of billings on uncompleted contracts	12,502	3,223	--	--	15,725
Prepaid expenses and other current assets	3,198	1,855	--	--	5,053
Total current assets	183,050	30,073	(34,945)	54,300	232,478
RECEIVABLES FROM RELATED PARTIES	142	--	--	--	142
GOODWILL, NET	293,066	--	46,494	--	339,560
PROPERTY AND EQUIPMENT, NET	23,436	4,893	--	--	28,329
OTHER NONCURRENT ASSETS	2,774	295	--	5,000	8,069
Total assets	$ 502,468	$ 35,261	$ 11,549	$ 59,300	$ 608,578
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term debt and current maturities of long-term debt	$ 3,823	$ 2,365	$ (2,365)	$ --	$ 3,823
Accounts payable and accrued expense	69,225	7,987	1,233	--	78,445
Billings in excess of costs and estimated earnings on uncompleted contracts	27,807	3,639	--	--	31,446
Income taxes payable	6,686	3,015	--	--	9,701
Other current liabilities	489	874	--	--	1,363
Total current liabilities	108,030	17,880	(1,132)	--	124,778
LONG-TERM BANK DEBT	89,500	--	--	(89,500)	--
OTHER LONG-TERM DEBT, NET	854	886	(886)	--	854
SENIOR SUBORDINATED NOTES, net of $1,200 discount	--	--	--	148,800	148,800
OTHER NON-CURRENT LIABILITIES	1,380	--	--	--	1,380
Total liabilities	199,764	18,766	(2,018)	59,300	275,812
STOCKHOLDERS' EQUITY:					
Preferred stock	--	1,099	(1,099)	--	--
Common stock	281	926	(926)	--	281
Restricted common stock	27	--	--	--	27
Additional paid-in capital	291,650	205	29,857	--	321,712
Retained earnings	10,746	14,265	(14,265)	--	10,746
Total stockholders' equity	302,704	16,495	13,567	--	332,766
Total liabilities and stockholders' equity	$ 502,468	$ 35,261	$ 11,549	$ 59,300	$ 608,578

INTEGRATED ELECTRICAL SERVICES, INC.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 1998
(IN THOUSANDS)

	IES AND SUBSIDIARIES	FISCAL 1998 ACQUISITIONS	FISCAL 1999 ACQUISITIONS	PRO FORMA ADJUSTMENTS	OFFERING ADJUSTMENTS	PRO FORMA AS ADJUSTED
REVENUES	$ 386,721	$ 363,728	$ 105,651	$ --	$ --	$ 856,100
COST OF SERVICES	306,052	295,349	82,286	(564)	--	683,123
GROSS PROFIT	80,669	68,379	23,365	564	--	172,977
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES ...	47,390	62,621	16,039	(35,819)	--	90,231
NON-CASH, NON-RECURRING COMPENSATION CHARGE	17,036	--	--	(17,036)	--	--
GOODWILL AMORTIZATION	3,212	--	--	5,357	--	8,569
INCOME FROM OPERATIONS	13,031	5,758	7,326	48,062	--	74,177
OTHER INCOME (EXPENSE):						
Interest expense	(1,161)	--	(141)	(2,951)	(11,237)	(15,490)
Interest income	433	730	268	(1,133)	--	298
Other, net	335	404	(34)	(462)	--	243
OTHER INCOME (EXPENSE), NET ..	(393)	1,134	93	(4,546)	(11,237)	(14,949)
INCOME BEFORE INCOME TAXES ...	12,638	6,892	7,419	43,516	(11,237)	59,228
PROVISION FOR INCOME TAXES ...	12,690	5,473	1,871	10,030	(4,326)	25,738
NET INCOME (LOSS)	$ (52)	$ 1,419	$ 5,548	$ 33,486	$ (6,911)	$ 33,490
EARNING (LOSS) PER SHARE -						
BASIC -	$ --					$ 1.03
DILUTED -	$ --					$ 1.01
SHARES USED IN THE COMPUTATION OF EARNINGS (LOSS) PER SHARE						
BASIC -	19,753,060					32,630,538
DILUTED -	19,753,060					33,030,371

INTEGRATED ELECTRICAL SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

1. UNAUDITED PRO FORMA BALANCE SHEET:

The Pro Forma Adjustments reflects the acquisition of 11 of the Fiscal 1999 Acquisitions which were acquired subsequent to September 30, 1998, and the application of the cash proceeds from the issuance of the Notes, net of estimated offering costs of $5.0 million, to reduce amounts outstanding under the Credit Facility.

2. UNAUDITED PRO FORMA STATEMENT OF OPERATIONS:

The Unaudited Pro Forma Statement of Operations for the year ended September 30, 1998 for IES and Subsidiaries reflects the historical results of Houston-Stafford Electric, Inc. ("Houston-Stafford") as the accounting acquirer (restated for the effect of an acquisition accounted for as a pooling-of-interest combined) the other Founding Companies beginning February 1, 1998, and the Acquired Companies beginning on their respective dates of acquisition.

The Fiscal 1998 Acquisitions reflects the historical results of the Founding Companies other than Houston-Stafford for the period prior to February 1, 1998, and the Acquired Companies through their date of acquisition. The Fiscal 1999 Acquisitions reflects the historical results of operations for 1998 of the 12 Acquired Companies which were acquired subsequent to September 30, 1998.

The following table summarizes the Pro Forma Adjustments (in thousands):

	ADJUSTMENTS				PRO FORMA
	(a)	(b)	(c)	(d)	ADJUSTMENTS
Cost of services	$ (564)	$ --	$ --	$ --	$ (564)
Selling, general and administrative expenses	(35,819)	--	--	--	(35,819)
Non-cash, non-recurring compensation charge	(17,036)	--	--	--	(17,036)
Goodwill amortization	--	5,357	--	--	5,357
Income (loss) from operations	53,419	(5,357)	--	--	48,062
Other income (expense):					
Interest expense	--	--	(2,951)	--	(2,951)
Interest income	--	--	(1,133)	--	(1,133)
Other, net	--	316	(778)	--	(462)
Other income (expense), net	--	316	(4,862)	--	(4,546)
Income (loss) before income taxes	53,419	(5,041)	(4,862)	--	43,516
Provision for income taxes	--	--	--	10,030	10,030
Net income (loss)	$ 53,419	$ (5,041)	$ (4,862)	$(10,030)	$ 33,486

(a) Reflects the reduction in salaries, bonuses and benefits and lease payments to the owners of the Founding Companies and the Acquired Companies. These reductions in salaries, bonuses and benefits and lease payments have been agreed to in accordance with the terms of employment agreements executed as part of the acquisitions. Such employment agreements are primarily for five years, contain restrictions related to competition and provide severance for termination of employment in certain circumstances. Also, includes the reversal of the $17.0 million non-cash, non-recurring compensation charge in connection with the acquisition of the Founding Companies.

INTEGRATED ELECTRICAL SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

(b) Reflects the amortization of goodwill recorded as a result of these acquisitions over a 40-year estimated life, as well as a reduction in historical minority interest expense attributable to minority interests that were acquired as part of the related acquisitions.

(c) Reflects additional interest expense on borrowings to fund the cash portion of the consideration paid, net of reduction of interest expense attributable to historical debt repaid using proceeds from the Company's initial public offering or transferred to the owners of the Founding Companies. The additional interest expense was calculated utilizing an assumed annual effective interest rate of approximately 7.5%. Also, reflects elimination of interest income recognized by the Founding Companies and the Acquired Companies.

(d) Reflects the incremental provision for federal and state income taxes at a 38.5% overall tax rate, before non-deductible goodwill and other permanent items, related to the other statements of operations adjustments and for income taxes on the pretax income of acquired companies that have historically elected S Corporation tax status.

The Offering Adjustments reflect the incremental interest expense of $10.3 million using an interest rate of 9.375%, amortization of deferred financing cost and amortization of the note discount of $0.5 million and $0.1 million, respectively, incurred as a result of the issuance of the notes and incremental amortization of deferred financing cost of $0.3 million related to the Credit Facility. Additionally, reflects the incremental provision for federal and state income taxes at an assumed effective tax rate of 38.5% for the offering adjustments.

ITEM 7. EXHIBITS.

(c) Exhibits.

23.1 Consent of Hertzbach & Company P.A.
23.2 Consent of KPMG Peat Marwick LLP
23.3 Consent of Peck & Kopacek, P.C.
23.4 Consent of Arthur Andersen LLP

SIGNATURES

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

INTEGRATED ELECTRICAL SERVICES, INC.
By: /s/ JOHN F. WOMBWELL
JOHN F. WOMBWELL
SENIOR VICE PRESIDENT
AND GENERAL COUNSEL

Dated: February 4, 1999

EXHIBIT INDEX

Exhibit	Description
23.1	Consent of Hertzbach & Company P.A.
23.2	Consent of KPMG Peat Marwick LLP
23.3	Consent of Peck & Kopacek, P.C.
23.4	Consent of Arthur Andersen LLP

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated July 14, 1998, on the financial statements of Primo Electric Company included in this Form 8-K, into Integrated Electrical Services, Inc.'s previously filed Registration Statements on Form S-8 (File Nos. 333-67113, 333-45447 and 333-45449).

HERTZBACH & COMPANY, P.A.

Owings Mills, Maryland
January 29, 1999

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors
Kayton Electric, Inc.

As independent public accountants, we hereby consent to the incorporation of our report dated January 28, 1998 (November 19, 1998 as to note 8) on the financial statements of Kayton Electric, Inc. included in this Form 8-K, into Integrated Electrical Services, Inc.'s previously filed Registration Statements on Form S-8 (File Nos. 333-67113, 333-45447 and 333-45449).

KPMG Peat Marwick LLP

Lincoln, Nebraska
February 2, 1999

EXHIBIT 23.3

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated January 25, 1999, on the financial statements of Bachofner Electric, Inc. included in this Form 8-K, into Integrated Electrical Services, Inc.'s previously filed Registration Statements on Form S-8 (File Nos. 333-67113, 333-45447 and 333-45449).

Peck & Kopacek, P.C.

Beaverton, Oregon
February 3, 1999

EXHIBIT 23.4

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated March 17, 1998, on the balance sheet of PCX Corporation as of December 31, 1997, and the related statements of operations, stockholders' equity and cash flows for the year then ended included in this Form 8-K, into Integrated Electrical Services, Inc.'s previously filed Registration Statements on Form S-8 (File Nos. 333-67113, 333-45447 and 333-45449).

ARTHUR ANDERSEN LLP

Raleigh, North Carolina
February 4, 1999