

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: August 17, 2004

Commission File No. 001-13783

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

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

76-0542208

(I.R.S. Employer Identification No.)

1800 West Loop South  
Suite 500  
Houston, Texas 77027

(Address of principal executive offices) (zip code)

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

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(C) Exhibits

<u>Exhibit No.</u> -----	<u>Description</u> -----
10.1	Agreement and Amendment to Credit Agreement dated as of June 30, 2004 among the financial institutions party to the Credit Agreement, as such term is hereinafter defined; Integrated Electrical Services, Inc., the Borrower; and Bank One, NA, as administrative agent.
99.1	Press Release dated August 13, 2004
99.2	Press Release dated August 17, 2004

ITEM 9. REGULATION FD DISCLOSURE

On August 13, 2004 Integrated Electrical Services, Inc. obtained an amendment, with an effective date of June 30, 2004, to the \$125.0 million revolving credit facility and \$50.0 million term loan led by Bank One, NA (the Amendment). The Amendment is attached as an exhibit hereto.

On August 13, 2004 Integrated Electrical Services, Inc. issued a press release announcing a delay in filing its Form 10-Q for the fiscal third quarter ended June 30, 2004 among other items. The press release is attached as an exhibit hereto.

On August 17, 2004 Integrated Electrical Services, Inc. issued a press release announcing a conference call scheduled for August 18, 2004 to discuss recent events. The press release is attached as an exhibit hereto.

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/ Jeffrey A. Pugh

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Jeffrey A. Pugh  
Senior Vice President and  
Chief Financial Officer

Dated: August 17, 2004

EXHIBIT INDEX

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Borrower; and  
Bank One, NA,  
as  
administrative  
agent. 99.1  
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dated August  
13, 2004 99.2  
Press Release  
dated August  
17, 2004

AGREEMENT AND AMENDMENT TO  
CREDIT AGREEMENT

This Agreement and Amendment to Credit Agreement (this "Amendment") dated as of June 30, 2004 among the financial institutions (collectively, the "Banks") party to the Credit Agreement (as such term is hereinafter defined); INTEGRATED ELECTRICAL SERVICES, INC. (the "Borrower"), and BANK ONE, NA, with its main office in Chicago, Illinois, as administrative agent (in such capacity, the "Administrative Agent") for the Banks;

W I T N E S S E T H:

WHEREAS, the Borrower, the Banks and the Administrative Agent executed and delivered that certain Credit Agreement (as heretofore amended and supplemented, the "Credit Agreement") dated as of February 27, 2004; and

WHEREAS, the Borrower, the Banks and the Administrative Agent now desire to amend the Credit Agreement to modify certain of the financial covenants and limitations on certain Restricted Payments;

NOW, THEREFORE, in consideration of the premises and the mutual agreements, representations and warranties herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereby agree as follows:

Section 5.5(b) (ii) of the Credit Agreement is hereby amended to read in its entirety as follows:

(ii) Maximum Total Debt to EBITDA Ratio. As of the last day of the fiscal quarter ending on each date set forth below, the Borrower shall not permit the ratio of (A) the consolidated Total Debt of the Borrower as of such date to (B) the consolidated EBITDA of the Borrower for the four fiscal quarters then ending, to be greater than the corresponding ratio set forth below:

Maximum Total Debt to EBITDA Ratio
June 30, 2004 4.50 to 1
September 30, 2004 5.00 to 1
December 31, 2004 5.50 to 1

-----  
March 31,  
2005 5.65  
to 1 -----  
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-----  
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----- June  
30, 2005  
4.75 to 1  
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September  
30, 2005  
4.50 to 1  
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December  
31, 2005  
4.00 to 1  
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March 31,  
2006 and  
thereafter  
3.85 to 1  
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Section 5.5(c) of the Credit Agreement is hereby amended to read in its entirety as follows:

(c) Minimum Fixed Charge Coverage Ratio. As of the last day of each fiscal quarter (beginning with the quarter ending June 30, 2004), the Borrower shall not permit the ratio of (i) the consolidated Net EBITDA of the Borrower for the preceding four fiscal quarters then ended to (ii) the consolidated Fixed Charges of the Borrower for the preceding four fiscal quarters then ended to be less than (A) 1.20 to 1 for the quarters ending June 30, September 30 and December 31, 2004; (B) 1.25 to 1 for the quarter ending March 31, 2005, and (C) 1.35 to 1 for each quarter thereafter. Compliance with this paragraph (c) shall be determined in the applicable Compliance Certificate based upon the adjusted financial reports contained in Schedule B of such Compliance Certificate.

Section 5.10 of the Credit Agreement is hereby amended to read in its entirety as follows:

5.10 Distributions. The Borrower shall not

(a) declare or pay any dividends;

(b) purchase, redeem, retire, or otherwise acquire for value any of its capital stock now or hereafter outstanding;

(c) make any distribution of assets to its stockholders as such, whether in cash, assets, or in obligations of it;

(d) allocate or otherwise set apart any sum for the payment of any dividend or distribution on, or for the purchase, redemption, or retirement of, any shares of its capital stock; or

(e) make any other distribution by reduction of capital or otherwise in respect of any shares of its capital stock, except that the Borrower may make payments of dividends on Qualified Preferred Stock; provided, however, that the Borrower may

(i) declare or pay dividends if (x) no Default has then occurred and is continuing and (y) assuming such dividend had been paid on the last day of the immediately preceding fiscal quarter, (1) the Total Debt to EBITDA ratio, as measured in accordance with Section 5.5(b)(ii), would have been no greater than 2.50 to 1 and (2) no Default (including but not limited to any Default under Section 5.5) would have occurred as of the last day of such quarter;

(ii) purchase, redeem, retire or otherwise acquire for value any of its capital stock if (x) no Default has then occurred and is continuing and (y) assuming such transaction had been consummated on the last day of the immediately preceding fiscal quarter, (1) the Total Debt to EBITDA ratio, as measured in accordance with Section 5.5(b)(ii), would have been no greater than 3.50 to 1 and (2) no Default (including but not limited to any Default under Section 5.5) would have occurred as of the last day of such quarter, and

(iii) purchase, redeem, retire or otherwise acquire for value its capital stock pursuant to employee stock purchase programs if (x) no Default has then occurred and is continuing and (y) assuming such capital stock had been purchased, redeemed, retired or otherwise acquired for value on the last day of the immediately preceding fiscal quarter, no Default (including but not limited to any Default under Section 5.5) would have occurred as of the last day of such quarter.

Conditions. This Amendment shall not become effective until (a) it has been executed and delivered by the Borrower and the Majority Banks; (b) the Borrower shall have paid to the Administrative Agent, for the account of each Bank executing and delivering this Amendment before 5:00 p.m., Houston time, on August 12, 2004, an amendment fee at the rate (which shall be the same for all such Banks) heretofore established by the Administrative Agent and the Borrower, and (c) the Administrative Agent shall have received such other documents and instruments as it may reasonably request; provided, however, that if all of such conditions are not satisfied by 5:00 p.m., Houston time, on August 12, 2004, then this Amendment shall be of no force or effect.

Representations True; No Default. The Borrower represents and warrants that the representations and warranties contained in the Credit Documents are true and correct in all material respects on and as of the date hereof as though made on and as of such date. The Borrower hereby certifies that no event has occurred and is continuing which constitutes a Default or an Event of Default.

Ratification. Except as expressly amended hereby, the Loan Documents shall remain in full force and effect. The Credit Agreement, as hereby amended, and all rights and powers created thereby or thereunder and under the other Credit Documents are in all respects ratified and confirmed and remain in full force and effect.

Definitions and References. Any term used herein that is defined in the Credit Agreement shall have the meaning therein ascribed to it. The terms "Agreement" and "Credit Agreement" as used in the Credit Documents or any other instrument, document or writing furnished to the Administrative Agent or any Bank by the Borrower and referring to the Credit Agreement, shall mean the Credit Agreement as hereby amended.

Miscellaneous. This Amendment (a) shall be binding upon and inure to the benefit of the Borrower, the Banks, the Administrative Agent and their respective successors, assigns, receivers and trustees (but the Borrower shall not assign its rights hereunder without the express prior written consent of the Required Lenders); (b) may be modified or amended only by a writing signed by the party against whom the same is to be enforced; (c) may be executed in



several counterparts, and by the parties hereto on separate counterparts, and each counterpart, when so executed and delivered, shall constitute an original agreement, and all such separate counterparts shall constitute but one and the same agreement, and (e) together with the other Credit Documents, embodies the entire agreement and understanding between the parties with respect to the subject matter hereof and supersedes all prior agreements, consents and understandings relating to such subject matter.

THE CREDIT DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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

BORROWER:

INTEGRATED ELECTRICAL SERVICES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BANKS:

BANK ONE, NA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BANK OF SCOTLAND

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

LaSALLE BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WELLS FARGO BANK, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SOUTHWEST BANK OF TEXAS, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FIRST AMERICAN BANK, SSB HOUSTON

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ALLIED IRISH BANK, P.L.C.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

AIB DEBT MANAGEMENT LIMITED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

REGIONS BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FIRST BANK & TRUST

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

HIBERNIA NATIONAL BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

RZB FINANCE LLC

By: -----

Name: -----

Title: -----

[IES LOGO]

[NEWS RELEASE]

INTEGRATED ELECTRICAL SERVICES DELAYS  
Q3 EARNINGS RELEASE

HOUSTON -- AUGUST 13, 2004 -- Integrated Electrical Services, Inc. (NYSE:IES) today announced the following:

- o As a result of the continuing evaluation of certain large and complex projects in one of its regions, the company will not be able to file its fiscal 2004 Third Quarter Report on Form 10-Q on a timely basis;
- o The delay in filing the Quarterly Report may result in a default under the terms of the debt and could affect IES' ability to secure surety bonds;
- o The independent auditors of IES have advised the company of two material weaknesses on internal controls described below;
- o Because of uncertainty relating to the company's expected fourth quarter earnings, IES is withdrawing its previously announced earnings estimate for the fourth quarter of fiscal 2004, however the company does expect to be profitable for the fourth quarter and full fiscal year ended September 30, 2004; and
- o The earnings conference call scheduled for Monday, August 16, 2004 has been cancelled.

## DELAYED FILING OF QUARTERLY REPORT ON FORM 10-Q

As announced on August 2, 2004, IES has been conducting an on-going evaluation of the reported results relating to certain large and complex projects at one of its subsidiaries. In addition to the internal investigation, the company's Audit Committee engaged special counsel to conduct an investigation of those matters. The special investigation has been concluded and based upon a report to the Audit Committee, the company believes that the issues regarding reported results are isolated to two subsidiaries in one of its operating regions. The issues at one subsidiary relate to (i) a series of large contracts accounted for on a percentage of completion basis in which actual costs projected to be incurred exceed the original projected costs, but appropriate adjustments were not reflected, (ii) general and administrative costs in respect to a particular contract that did not relate to that contract and (iii) the recognition of revenue related to the recording

of incorrect margin on a particular contract. The issues at the other subsidiary relate to incorrectly recorded revenues attributable to a large project that were not identified as part of the company's normal closing process. The aggregate amount of the issues at these two subsidiaries is \$5.7 million of which the amount of the error relating to prior periods is currently estimated at \$1.4 million.

As a result of the above matters, the independent auditors of IES have advised the company that they will not be able to complete their procedures in accordance with AU 722, "Interim Financial Information," on the company's third quarter results. They advised IES that until the audit of its fiscal year 2004 financial statements is completed, they will be unable to complete their procedures in accordance with AU 722 on third quarter results. The reasons for the delay are the two material weaknesses identified by the independent auditors as described below and concerns that the size of the adjustments taken for the items identified above, coupled with any other adjustments that may be identified in the course of the audit, could result in a requirement to restate prior periods.

To address the issues described above, IES' management has determined to make the policy, training, controls and organizational changes described below:

**POLICY:** Clarified and improved policies will be made regarding revenue recognition, ethics compliance and contract documentation

**TRAINING:** Significantly expanded and new training programs will be required for all individuals involved in financial reporting

**CONTROLS:** There will be a change in reporting relationships so that the regional controllers will directly report to the chief accounting officer

**ORGANIZATIONAL:** The number of reporting regions will be reduced and a new "rapid response" team will be created to step in and assist subsidiaries experiencing difficulties to accelerate corrective measures.

THE DELAYED FILING MAY RESULT IN A DEFAULT UNDER IES' OUTSTANDING DEBT AND COULD AFFECT ITS ABILITY TO SECURE SURETY BONDS

The delay in filing the Quarterly Report on Form 10-Q for the third quarter may result in a default under the indenture relating to its senior subordinated debt (\$172.9 million outstanding as of August 13, 2004). Under that indenture, an event of default will occur if the company fails to cure the default within 30 days. During the continuance of such event of default, the trustee or the holders of 25% of the outstanding senior subordinated debt could give the company notice of acceleration. In addition, an event of default under that indenture will result in a cross-default under its \$125.0 million senior secured revolving credit facility and \$50.0 million term loan (\$72.9 million outstanding at August 13, 2004). Upon the occurrence of a default under that credit facility,

IES will be unable to draw any additional amounts thereunder. IES is currently seeking a waiver from the participating banks. Unless the company is able to obtain such a waiver, it will have to seek funding from alternative sources. As of August 13, 2004, the company had \$29.3 million in cash.

Surety or performance bonds are often required in connection with large or complex contracts to assure the customer of contract performance. If IES were unable to secure additional surety bonds, the company would be unable to enter into new, large complex contracts that require such bonds. IES currently provides collateral to the underwriter of its surety bonds in the form of letters of credit. Although IES is currently engaged in discussions with its surety underwriter regarding the continued availability of such bonds, the company does not have an agreement for them to continue furnishing the bonds. It is possible that the surety underwriter could elect to terminate the company's surety authorization or require it to post as collateral additional letters of credit for the bonds.

#### IDENTIFIED MATERIAL WEAKNESSES

In response to the recording issues identified above, IES' independent auditors have advised the company that they have identified two material weaknesses in its internal controls:

- o First, failure to correct identified error of incorrect recording of costs on one long-term contract at one subsidiary and the recognition of revenue related to recording of incorrect margin on the same long-term construction contract; and
- o Second, a weakness in reasonably adjusting estimates to the expected costs of performing long-term construction contracts.

#### WITHDRAWAL OF 2004 FOURTH QUARTER ESTIMATE

On August 2, 2004, IES announced an estimate of expected earnings for the 2004 fiscal fourth quarter and full 2004 fiscal year. As a result of the matters described above, IES is unable to estimate results for the fourth quarter and has withdrawn both the estimate for the 2004 fourth quarter and full year. IES expects, however, 2004 fourth quarter and 2004 full year will be profitable.

#### CANCELLATION OF THIRD QUARTER CONFERENCE CALL

As a result of the delay in releasing the third quarter report on Form 10-Q IES has cancelled the conference call previously scheduled for Monday, August 16, 2004.

This press release includes certain statements, including statements relating to the Company's expectations of its future operating results, that may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the Company's expectations and involve risks and uncertainties that could cause the Company's actual results to differ materially from those set forth in the statements. Such risks and uncertainties include, but are not limited to, the inherent uncertainties relating to estimating future results, potential consequences of late filing of the Company's quarterly report on Form 10-Q and associated defaults under the Company's debt, potential difficulty in addressing material weaknesses in the Company's accounting that have been identified the Company by its independent auditors, the possible need for a restatement of prior year periods if amounts are determined to be material, litigation risks and uncertainties, fluctuations in operating results because of downturns in levels of construction, incorrect estimates used in entering into and executing contracts, difficulty in managing the operation of existing entities, the high level of competition in the construction industry, changes in interest rates, general level of the economy, increases in the level of competition from other major electrical contractors, increases in cost of labor, steel, copper and gasoline, availability and costs of obtaining surety bonds required for certain projects, loss of key personnel, difficulty in integrating new types of work into existing subsidiaries, errors in estimating revenues and percentage of completion on contracts, and weather and seasonality. The foregoing and other factors are discussed and should be reviewed in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended September 30, 2003.

Contacts: Jeffrey Pugh, CFO  
Integrated Electrical Services, Inc.  
713-860-1500

FOR IMMEDIATE RELEASE

Ken Dennard / ksdennard@drg-e.com  
Karen Roan / kcroan@drg-e.com  
DRG&E / 713-529-6600

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[IES LOGO]

[NEWS RELEASE]

INTEGRATED ELECTRICAL SERVICES SCHEDULES CONFERENCE CALL  
TO DISCUSS RECENT EVENTS

HOUSTON, Aug 17, 2004 /PRNewswire-FirstCall via COMTEX/ -- Integrated Electrical Services, Inc. (NYSE: IES) today announced that it has scheduled a conference call for Wednesday, August 18, 2004 at 9:00 a.m. eastern time to discuss recent events. Roddy Allen, President and Chief Executive Officer, and Jeff Pugh, Chief Financial Officer, will conduct the call.

To participate in the conference call, dial 303-262-2142 at least ten minutes before the call begins and ask for the Integrated Electrical Services conference call. A replay of the call will be available approximately two hours after the live broadcast ends and will be accessible until August 25, 2004. To access the replay, dial (303) 590-3000 and use the pass code of 11006530.

Investors, analysts and the general public will also have the opportunity to listen to the conference call by visiting the company's web site at <http://www.ies-co.com>. To listen to the live call on the web, please visit the web site at least fifteen minutes early to register, download and install any necessary audio software. For those who cannot listen to the live web cast, an archive will be available on the web site shortly after the call. For more information, please contact Donna Washburn at DRG&E at (713) 529-6600 or email her at: [dmw@drg-e.com](mailto:dmw@drg-e.com).

Integrated Electrical Services, Inc. is the leading national provider of electrical solutions to the commercial and industrial, residential and service markets. The company offers electrical system design and installation, contract maintenance and service to large and small customers, including general contractors, developers and corporations of all sizes.

Contacts: Jeffrey Pugh, CFO  
Integrated Electrical Services, Inc.  
713-860-1500

FOR IMMEDIATE RELEASE

Ken Dennard / [ksdennard@drg-e.com](mailto:ksdennard@drg-e.com)  
Karen Roan / [kcroan@drg-e.com](mailto:kcroan@drg-e.com)  
DRG&E / 713-529-6600

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