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: May 26, 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 2. ACQUISITION OR DISPOSITION OF ASSETS

On April 29, 1999, Integrated Electrical Services, Inc. (the "Company") consummated the acquisition of all of the issued and outstanding capital stock Putzel Electrical Contractors, Inc. (the "Significant Acquisition"). The Significant Acquisition performs electrical contracting in the Southeast United States. The consideration paid by the Company for the Significant Acquisition was determined through negotiations between the Company and the owners of the Significant Acquisition and consisted of an aggregate of 589,060 shares of common stock of the Company and approximately $10.5 million in cash. The cash portion of the consideration paid for the Significant Acquisition was funded through proceeds from the Company's offering of $150.0 million Senior Subordinated Notes on January 25, 1999. The Company intends to continue using the assets of the Significant Acquisition in the electrical contracting business. See Item 7. "Financial Statements, Pro Forma Financial Information and Exhibits"

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 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 1 through 20

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Delco Electric, Inc.
Oklahoma City, Oklahoma

We have audited the accompanying balance sheet of Delco Electric, Inc. as of December 31, 1998, and the related statements of operations, stockholder's 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 Delco Electric, Inc. as of December 31, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

REZNICK, FEDDER & SILVERMAN

Charlotte, North Carolina
May 14, 1999

DELCO ELECTRIC, INC.

BALANCE SHEETS - DECEMBER 31, 1998, AND MARCH 31, 1999 (UNAUDITED)

ASSETS	DECEMBER 31, 1998	MARCH 31, 1999 (UNAUDITED)
CURRENT ASSETS:		
Cash	$ 1,509,880	$ 1,381,382
Receivables:		
Contracts - current	722,046	955,944
Contracts - retention	231,029	108,100
Note	83,813	82,468
Other	--	3,982
Costs and estimated gross profit in excess of billings on contracts in progress	65,766	83,823
Prepaid expenses and other current assets	61,162	49,156
Total current assets	2,673,696	2,664,855
LEASEHOLD IMPROVEMENTS AND EQUIPMENT, net	380,944	350,102
Total assets	$ 3,054,640	$ 3,014,957

LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 567,082	$ 325,924
Billings in excess of costs and estimated gross profit on contracts in progress	177,743	232,804
Total current liabilities	744,825	558,728
STOCKHOLDER'S EQUITY:		
Common stock, $1 par value, 10,000 shares authorized; 500 shares issued and outstanding in 1998 and 1999	500	500
Retained earnings	2,309,315	2,455,729
Total stockholder's equity	2,309,815	2,456,229
Total liabilities and stockholder's equity	$ 3,054,640	$ 3,014,957

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

DELCO ELECTRIC, INC.

STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1998, AND THE THREE-MONTH PERIODS ENDED MARCH 31, 1998 (UNAUDITED), AND MARCH 31, 1999 (UNAUDITED)

	YEAR ENDED DECEMBER 31, 1998	THREE-MONTH PERIODS ENDED MARCH 31, 1998 (UNAUDITED)	THREE-MONTH PERIODS ENDED MARCH 31, 1999 (UNAUDITED)
CONTRACT REVENUE	$ 7,500,045	$ 2,070,292	$ 1,305,643
CONTRACT COSTS	5,463,763	1,412,160	1,013,557
Gross profit	2,036,282	658,132	292,086
GENERAL AND ADMINISTRATIVE EXPENSES	757,837	189,208	166,233
Income from operations	1,278,445	468,924	125,853
OTHER INCOME (EXPENSE):			
Interest income	54,651	10,355	15,024
Other income, net	--	5,256	5,537
Other income (expense), net	54,651	15,611	20,561
INCOME BEFORE INCOME TAXES	1,333,096	484,535	146,414
NET INCOME	$ 1,333,096	$ 484,535	$ 146,414

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

DELCO ELECTRIC, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1998, AND THE THREE-MONTH PERIOD ENDED
MARCH 31, 1999 (UNAUDITED)

	COMMON STOCK			
	SHARES	AMOUNT	RETAINED EARNINGS	TOTAL
BALANCE, December 31, 1997	500	$ 500	$ 1,691,297	$ 1,691,797
Dividends distribution	--	--	(715,078)	(715,078)
Net income	--	--	1,333,096	1,333,096
BALANCE, December 31, 1998	500	500	2,309,315	2,309,815
Net income (unaudited)	--	--	146,414	146,414
BALANCE, March 31, 1999 (unaudited)	500	$ 500	$ 2,455,729	$ 2,456,229

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

DELCO ELECTRIC, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998, AND THE THREE-MONTH PERIODS
ENDED MARCH 31, 1998 (UNAUDITED), AND MARCH 31, 1999 (UNAUDITED)

	DECEMBER 31, 1998	MARCH 31, 1998 (UNAUDITED)	MARCH 31, 1999 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 1,333,096	$ 484,535	$ 146,414
Adjustments to reconcile net income (loss) to net cash provided by operating activities-			
Depreciation	82,712	20,678	20,678
Loss (gain) on sale of equipment	--	--	(2,031)
(Increase) decrease in net cash from changes in operating assets and liabilities:			
Increase (decrease) in accounts receivable and other receivables	490,059	282,161	(113,606)
(Increase) decrease in billings in excess of costs and estimated gross profit on contracts in progress	(314,657)	(127,671)	55,061
(Increase) decrease in cost and estimated earnings in excess of billings on contracts in progress	30,148	(54,475)	(18,057)
(Increase) decrease in prepaid expenses and other current assets	(6,994)	9,440	12,006
Increase (decrease) in accounts payable and accrued liabilities	(67,515)	53,455	(241,158)
Net cash provided by operating activities	1,546,849	668,123	(140,693)
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Advances) collections on related party note receivable	--	--	--
Collections on other receivables, net	12,458	(24,512)	--
Purchase of equipment	(265,928)	(19,385)	(430)
Proceeds from sale of property and equipment	--	--	12,625
Net cash provided by (used in) investing activities	(253,470)	(43,897)	12,195
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment for stock redemption dividends	(715,078)	--	--
Net cash provided by (used in) financing activities	(715,078)	--	--
NET INCREASE (DECREASE) IN CASH	578,301	624,226	(128,498)
CASH, beginning of period	931,579	931,579	1,509,880
CASH, end of period	$ 1,509,880	$ 1,555,805	$ 1,381,382
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash received from other income, net	--	5,256	5,537
Equipment and other assets purchased through issuance of debt	173,465	--	--

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

DELCO ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, MARCH 31, 1998 (UNAUDITED)
AND MARCH 31, 1999 (UNAUDITED)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS:

Delco Electric, Inc. (the Company) is engaged in the construction industry, operating as an electrical contractor in approximately fifteen states nationwide. The work is performed under fixed-price and time-and-material contracts. The Company was incorporated on November 7, 1994, in the state of Oklahoma.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INTERIM FINANCIAL STATEMENTS

The accompanying interim financial statements and related disclosures for the three months ended March 31, 1998 and 1999, 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, 1998, 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.

FINANCIAL STATEMENT CLASSIFICATION

In accordance with normal practice in the construction industry, the Company includes in current assets and liabilities amounts realizable and payable over a period in excess of one year. Consistent with this practice, asset and liability accounts relating to construction contracts are classified as current. The lives of contracts entered into by the Company generally range from one to two months.

REVENUE AND COST RECOGNITION

The Company recognizes revenues from long-term construction contracts on the percentage-of-completion method. Under this method, the completion percentage is measured by the proportion of costs incurred to date to total estimated costs for each contract. However, no gross profit is recognized on contracts that are less than ten percent complete. This method is used because management believes the cost-to-cost method to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating cost, it is at least reasonably possible that the estimates used will change within the near term.

Contract costs include all direct material, labor and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs. Selling, general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured. An amount equal to contract costs attributable to claims is included in revenue when realization is probable and the amount can be reliably estimated. Contracts are considered completed when all costs except insignificant items have been incurred and the owner has accepted the project.

The asset, "Costs and estimated gross profit in excess of billings on contracts in progress," represents revenue recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated gross profit on contracts in progress," represents billings in excess of revenues recognized.

LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment, carried at cost, is depreciated over the estimated useful life of the related asset. Depreciation is computed substantially on the accelerated methods for both financial statement and income tax reporting purposes. Transportation and construction equipment are depreciated between five and seven years. Office equipment is depreciated between three and seven years. Leasehold improvements are depreciated between seven and fifteen years.

At December 31, 1998, leasehold improvements and equipment consisted of:

	DECEMBER 31, 1998
Transportation equipment	$279,396
Construction equipment	35,830
Office equipment	70,113
Leasehold improvements	160,671
	546,010
Less - Accumulated depreciation	165,066
Leasehold improvements and equipment, net	$380,944

Depreciation charged to general and administrative expenses amounted to $82,712 for the year ended December 31, 1998.

INCOME TAXES

For income tax purposes, the company reports income on the completed contract method of accounting. Under this method, billings and costs are accumulated during the period of construction, but profits are not recorded until completion of the contracts.

The company has elected to be taxed under the provisions of subchapter S of the Internal Revenue Code and the State of Oklahoma. Under these provisions, the company does not pay federal or state corporate income taxes on its taxable income.

The stockholder is liable for individual federal and state taxes on the company's taxable income. In order for the stockholder to be able to pay these taxes, the board of directors of the company has resolved that the stockholder may take minimum annual equity withdrawals up to the full tax liability on the company's taxable income.

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.

CONCENTRATIONS OF RISK

The Company's contract revenue is highly concentrated in three general contractors which perform work for one owner. These customers account for approximately 48% of contract revenue for the year ended December 31, 1998. The associated contracts receivable from these customers represented approximately 58% of total contracts receivables at December 31, 1998. The loss of these customers could have a material impact on the Company's future earnings results.

The Company grants credit generally without collateral, to its customers which are located nationwide. Consequently, the company is subject to potential credit risk related to change in business and economic factors. However, the company's management believes that its contract acceptance, billing, and collection policies are adequate to minimize potential credit risk.

The Company maintains its demand deposits in commercial banks with Federal Deposit Insurance Corporation limits of $100,000 per bank.

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, 1998, the carrying value of the Company's financial instruments approximated the fair value.

3. RELATED PARTY TRANSACTIONS:

During the year, the company purchased transportation equipment and a note receivable from the sole stockholder in the amount of $173,465 which approximates fair value. The amount is included in accounts payable at December 31, 1998.

The Company rents office and warehouse space from the sole stockholder. See Note 6.

4. NOTE RECEIVABLE:

Note receivable at December 31, 1998 consists of $83,813 due from an employee of the company. The note bears interest at 5% per annum.

5. COSTS AND ESTIMATED GROSS PROFIT ON CONTRACTS IN PROGRESS:

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

	DECEMBER 31, 1998
Costs incurred on contracts in progress	$ 2,598,585
Estimated gross profit	1,091,079
Contract revenue earned to date	3,689,664
Less progress billings to date	3,801,641
	$ (111,977)

This amount is included in the accompanying balance sheet at December 31, 1998, under the following captions:

	DECEMBER 31, 1998
Costs and estimated gross profit in excess of billings on contracts in progress	$ 65,766
Billings in excess of costs and estimated gross profit on contracts in progress	(177,743)
	$ (111,977)

6. LEASE COMMITMENTS:

FACILITY LEASE

On July 31, 1998, the Company entered into an operating lease with the sole stockholder to lease office and warehouse space. The lease expires on July 31, 2008. Total rental expense under this lease amounts to $25,000 for the year ended December 31, 1998 and is included in general and administrative expenses.

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

	DECEMBER 31,
1999	$ 60,625
2000	62,140
2001	63,691
2002	65,283
2003	66,918
Thereafter	328,523
	$647,180

EQUIPMENT LEASES

The company leases automotive equipment under operating leases which expire May 1999 and December 2000. Total rental expense under the leases amounted to $20,578 for the year ended December 31, 1998 and is included in general and administrative expenses.

Future minimum rental payments under the leases are as follows:

	DECEMBER 31,
1999	$ 14,556
2000	10,256
	$ 24,812

7. CONTRACT BACKLOG:

The following schedule is a reconciliation of contract backlog representing signed contracts as of December 31, 1998:

Balance, January 1, 1998	$3,244,003
Contract adjustments and new contracts awarded	6,084,006
Subtotal	9,328,009
Less contract revenue earned	7,500,045
Balance, December 31, 1998	$1,827,964

8. PROFIT SHARING AND PENSION PLANS:

The company has a profit sharing plan covering all eligible nonprevailing wage employees. The company's contribution is determined annually by the board of directors and may not exceed 15% of compensation paid to eligible employees. The board of directors has elected to make a contribution of $107,361 to the profit sharing plan for the year ended December 31, 1998, and is included in the accompanying balance sheet under accrued liabilities.

9. SUBSEQUENT EVENT:

On May 13, 1999, all of the Company's common stock was sold to an unrelated purchaser and the Company became a subsidiary of Integrated Electrical Services, Inc.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors:

We have audited the accompanying balance sheet of Valentine Electrical, Inc. (a Virginia corporation) as of March 31, 1999, 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 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 Valentine Electrical, Inc. as of March 31, 1999, and the results of its operations and cash flows for year then ended in conformity with generally accepted accounting principles.

REZNICK FEDDER & SILVERMAN

Charlotte, North Carolina
May 13, 1999

VALENTINE ELECTRICAL, INC.

BALANCE SHEET
MARCH 31, 1999

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 637,823
Contract receivables	1,288,497
Inventories	5,620
Cost and estimated earnings in excess of billings on uncompleted contracts	414,818
Prepaid expenses and other current assets	5,321
Total current assets	2,352,079
PROPERTY AND EQUIPMENT, net	278,994
OTHER NON-CURRENT ASSETS	20,883
Total assets	$ 2,651,956

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:	
Current portion of long-term debt	$ 24,935
Accounts payable and accrued liabilities	526,802
Billings in excess of costs and estimated earnings on uncompleted contracts	86,654
Income taxes payable	210,621
Deferred income tax liability - current	126,343
Total current liabilities	975,355
LONG-TERM DEBT, net of current portion	4,619
DEFERRED TAX LIABILITY	39,195
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDER'S EQUITY:	
Common stock, $100 per share par value, 500 shares authorized; 10 shares issued and outstanding	1,000
Additional paid-in capital	5,000
Retained earnings	1,626,787
Total stockholder's equity	1,632,787
Total liabilities and stockholder's equity	$ 2,651,956

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

VALENTINE ELECTRICAL, INC.

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1999

REVENUES	$ 5,220,816
COST OF SERVICES (including depreciation)	3,844,493
Gross profit	1,376,323
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	910,720
Income from operations	465,603
OTHER INCOME (EXPENSE):	
Interest income	10,088
Interest expense	(6,632)
Other income (expense), net	3,456
INCOME BEFORE INCOME TAXES	469,059
PROVISION FOR INCOME TAXES	(108,448)
NET INCOME	$ 360,611

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

VALENTINE ELECTRICAL, INC.

STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED MARCH 31, 1999

	COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	
	SHARES	AMOUNT	CAPITAL	EARNINGS	TOTAL
BALANCE, March 31, 1998	10	$ 1,000	$ 5,000	$1,266,176	$1,272,176
Net income				360,611	360,611
BALANCE, March 31, 1999	10	$ 1,000	$ 5,000	$1,626,787	$1,632,787

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

VALENTINE ELECTRICAL, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 360,611
Adjustments to reconcile net income to net cash provided by (used in) operating activities-	
Deferred taxes	68,962
Depreciation	67,244
Increase (decrease) in net cash from changes in operating assets and liabilities:	
Increase in contract receivables	(538,573)
Increase in inventories	(310)
Increase in costs and estimated earnings in excess of billings on uncompleted contracts	(169,901)
Decrease in other current assets	300
Increase in accounts payable and accrued expenses	496,085
Decrease in billings in excess of costs and estimated earnings on uncompleted contracts	(43,819)
Decrease in income taxes payable	(267,384)
Net cash provided by (used in) operating activities	(26,785)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(3,483)
Net cash provided by (used in) investing activities	(3,483)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payment of long-term debt	(47,830)
Net cash provided by (used in) financing activities	(47,830)
NET INCREASE (DECREASE) IN CASH	(78,098)
CASH, beginning of period	715,921
CASH, end of period	$ 637,823
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	$ 6,632
Cash paid during the year for income taxes	$ 306,870

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

VALENTINE ELECTRICAL, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999

1. ORGANIZATION AND DESCRIPTION OF BUSINESS:

Valentine Electrical, Inc. (the Company) is engaged in electrical contracting, primarily for commercial and industrial construction projects. The Company was incorporated on October 1, 1985, in the Commonwealth of Virginia.

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.

Specifically, the Company recognizes revenue from fixed-price construction contracts using the percentage-of-completion method, measured by the percentage of costs incurred to date to management's estimated total costs for each contract. That method is used because management considers total costs to be the best available measure of progress on the contracts.

Because of the inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term.

ACCOUNTING FOR CONSTRUCTION CONTRACTS

Revenues from long-term construction contracts are recognized on the percentage-of-completion method, measured by the percentage of total costs incurred to date to estimated total costs for each contract.

Contract costs include all direct job costs and those indirect costs related to contract performance, such as indirect labor, supplies, insurance, equipment repairs, and depreciation costs. General and administrative costs are charged to expense as incurred.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts", represents revenue recognized in excess of billings. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts", represents billings in excess of revenues recognized. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

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 maintains its bank accounts in one bank, and from time-to-time, the amount on deposit exceeds the FDIC insurance limits. At March 31, 1999, the uninsured cash totaled $559,055.

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. Machinery and equipment and furniture and fixtures are depreciated between 5 and 10 years. Vehicles are depreciated over 5 years. Leasehold improvements are depreciated over 20 years.

At March 31, 1999, property and equipment consisted of:

Furniture and fixtures	$ 91,096
Machinery and equipment	94,306
Vehicles	316,632
Leasehold improvements	107,947
	609,981
Less - Accumulated depreciation	(330,987)
Property and equipment, net	$ 278,994

INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to the differences between the bases of long-term contracts and depreciable assets for financial reporting and income tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. For tax purposes, the Company uses the cash basis of accounting (see Note 8 for discussion of IRS audit challenging this method) and accelerated deprecation.

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 March 31, 1999, the carrying value of the Company's financial instruments approximated the fair value.

3. CONTRACT RECEIVABLES:

Contract receivables consist of:

Completed contracts	$ 310,169
Contracts in progress	846,544
Retainage	131,784
	$ 1,288,497

4. CONTRACTS IN PROGRESS:

Costs incurred to date, estimated earnings and the related billings to date of contracts in progress at March 31, 1999, are shown below:

Costs incurred to date	$ 1,239,992
Estimated earnings	406,013
	1,646,005
Less progress billings to date	1,317,841
	$ 328,164

Included in the accompanying balance sheet at March 31, 1999, under the following captions:

Costs and estimated earnings in excess of billings on contracts in progress	$ 414,818
Billings in excess of costs and estimated earnings on uncompleted contracts	(86,654)
	$ 328,164

5. LINE OF CREDIT:

The Company has an available line of credit in the amount of $50,000 from NationsBank. The line of credit bears interest at 10%. As of March 31, 1999, no balance was outstanding on the line of credit, which is collateralized by the Company's accounts receivable, inventory and equipment.

6. LONG-TERM DEBT:

Long-term debt at March 31, 1999 consisted of:

Installment notes payable in monthly payments that currently equal $2,830, including interest from 8.25% to 9.5%, with various maturity dates from June 1999 through September 2000, secured by vehicles and equipment, some of which are guaranteed by the Company's stockholder	$ 29,554
Less current portion	(24,935)
	$ 4,619

Maturities of long-term debt are as follows:

YEAR ENDING MARCH 31	
2000	$ 24,935
2001	4,619
	$ 29,554

7. LEASE COMMITMENTS:

On November 20, 1996, Valentine Electrical, Inc. entered into a facility lease with a company controlled by Valentine Electrical, Inc.'s sole stockholder and his spouse. During the initial lease term of ten years, the annual commitment is $36,000 for the first four years of the lease, and thereafter, the lease is to be increased 10% annually. The Company began paying rent under this lease in November 1996. The lease has a renewal option for a period of six additional years at a rate of $5,000 per month. Total rental expense under this lease was $36,000 for the year ended March 31, 1999.

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

Year ending March 31	
2000	$ 36,000
2001	37,200
2002	40,920
2003	45,012
2004	49,513
Thereafter	156,895
	$365,540

8. INCOME TAXES:

The IRS has audited the Company's tax returns for the years ended March 31, 1996 and 1997, and has assessed additional federal income taxes totaling $336,520. The issues that the IRS has raised primarily concern two areas: the accounting method used and excess officer compensation.

These financial statements have been prepared assuming that the Company will no longer be allowed to use the cash basis method of accounting for income tax purposes, but will be required to change to the accrual method (as outlined in the IRS audit report) beginning with the tax year ended March 31, 1996. Included in the account "Income Taxes Payable" is an amount representing income taxes on the cumulative difference between these two methods of accounting.

At March 31, 1999, deferred taxes have been recorded for the differences between financial statement reporting and income tax reporting for the following: (1) the difference caused by using the percentage-of-completion method for financial statement reporting and the accrual method for income tax reporting, and (2) the difference caused by using different depreciation methods for financial statement reporting and income tax reporting. The current deferred tax liability at March 31, 1999 is $126,343 and the long-term deferred tax liability is $39,195.

The provision for income taxes shown on the statement of operations for the year ended March 31, 1999 is composed of the following:

Current taxes	$ 37,762
Deferred taxes	70,686
	$ 108,448

Income taxes payable at March 31, 1999 are composed of the following:

Tax overpayment based upon continued use of the cash basis method for the March 31, 1999 tax return	$ (88,238)
Taxes for the cumulative difference between cash basis method and accrual method through March 31, 1999	298,859
	$ 210,621

No provision for taxes associated with the IRS's claim that officer compensation was excessive for the two years under audit have been recorded. The amount of taxes the IRS has assessed regarding this issue totals $159,243. Management intends to contest this assessment vigorously.

9. BENEFIT PLANS:

On January 1, 1989, 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 100%. The maximum employee contribution the Company will match is 3% of annual compensation. Such matching rate can be changed at the Company's discretion. All contributions by the Company are funded currently and vest 20% after two years, and 20% per year thereafter. All employee contributions are immediately vested. Company matching contributions to the plan were $33,486 for the year ended March 31, 1999.

10. SUBSEQUENT EVENT:

On May 7, 1999, the Company's sole stockholder completed the sale of all of the Company's outstanding common stock to Integrated Electrical Services, Inc.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(A) FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Putzel Electrical Contractors, Inc.
Macon, Georgia

We have audited the accompanying balance sheet of Putzel Electrical Contractors, Inc. (an S corporation) as of December 31, 1998, and the related statements of operations, stockholder's 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 Putzel Electrical Contractors, Inc. as of December 31, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

DAVIDSON AND GOLDEN, P.C.

Nashville, Tennessee
May 6, 1999

PUTZEL ELECTRICAL CONTRACTORS, INC.

BALANCE SHEETS
DECEMBER 31, 1998, AND MARCH 31, 1999 (UNAUDITED)

	December 31 1998	March 31 1999
		(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 746,424	$ 49,853
Accounts receivable:		
Uncompleted contracts	3,867,978	2,348,865
Completed contracts	184,218	68,991
Other	12,861	12,516
Marketable securities	37,743	38,435
Cost and estimated earnings in excess of billings on uncompleted contracts	452,945	414,996
Inventory	131,567	137,134
Total Current Assets	5,433,736	3,070,790
Property and equipment, at cost, net of accumulated	2,497,536	2,590,676
Depreciation and amortization	(1,295,510)	(1,295,510)
Other assets	59,091	59,091
Total Assets	$ 6,694,853	$4,425,047
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,181,867	$ 643,763
Line of credit	--	454,385
Current portion of long-term debt	72,943	72,943
Billings in excess of costs and estimated earnings on uncompleted contracts	608,764	242,491
Sales tax payable	47,000	--
Accrued 401(k)/profit sharing and payroll related expenses	59,957	50,062
Total Current Liabilities	1,970,531	1,463,644
Long-term debt, net of current portion	153,213	139,805
STOCKHOLDER'S EQUITY		
Common stock, no par value, 1,000 shares authorized, 298 shares issued and outstanding	24,800	24,800
Additional paid-in capital	67,680	67,680
Retained earnings	4,478,629	2,729,118
Total Shareholder's Equity	4,571,109	2,821,598
Total Liabilities and Shareholder's Equity	$ 6,694,853	$4,425,047

See independent auditor's report and accompanying notes to financial statements.

PUTZEL ELECTRICAL CONTRACTORS, INC.

STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1998 AND THE THREE-MONTH PERIODS ENDED
MARCH 31, 1998 (UNAUDITED), AND MARCH 31, 1999 (UNAUDITED)

	Year Ended December 31 1998	Three-Month Periods Ended March 31 1998 (Unaudited)	Three-Month Periods Ended March 31 1999 (Unaudited)
Contract revenue	$ 22,519,760	$ 5,890,701	$ 3,893,645
Cost of contract revenue	17,198,258	4,047,571	2,844,767
Gross profit	5,321,502	1,843,130	1,048,878
General and administrative expenses	2,444,488	450,193	633,728
Income from operations	2,877,014	1,392,937	415,150
Other income (expense):			
Interest expense	(62,918)	--	--
Interest income	19,564	6,094	8,139
Contributions	(21,045)	(950)	(1,450)
Gain on sale of property and equipment	7,757	--	--
Customer discounts	(8,335)	(850)	(8,698)
Other income	751	244	266
	(64,226)	4,538	(1,743)
Net Income	$ 2,812,788	$ 1,397,475	$ 413,407

See independent auditor's report and accompanying notes to financial statements.

PUTZEL ELECTRICAL CONTRACTORS, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1998, AND THE THREE-MONTH PERIOD ENDED
MARCH 31, 1999 (UNAUDITED)

	COMMON STOCK			ADDITIONAL PAID-IN	
	SHARES	AMOUNT	CAPITAL STOCK	RETAINED EARNINGS	TOTAL
Balance, December 31, 1997	298	$ 24,800	$ 67,680	$3,356,590	$3,449,070
Dividends Paid	--	--	--	(1,690,749)	(1,690,749)
Net Income	--	--	--	2,812,788	2,812,788
Balance, December 31, 1998	298	$ 24,800	$ 67,680	$4,478,629	$4,571,109
Dividends Paid (unaudited)	--	--	--	(2,162,918)	(2,162,918)
Net Income (unaudited)	--	--	--	413,407	413,407
Balance, March 31, 1999 (unaudited)	298	$ 24,800	$ 67,680	$2,729,118	$2,821,598

See independent auditor's report and accompanying notes to financial statements.

PUTZEL ELECTRICAL CONTRACTORS, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998, AND THE THREE-MONTH PERIODS
ENDED MARCH 31, 1998 (UNAUDITED), AND MARCH 31, 1999 (UNAUDITED)

	December 31 1998	March 31 1998 (Unaudited)	March 31 1999 (Unaudited)
Cash flows from operating activities:			
Net income	$ 2,812,788	$ 1,397,475	$ 413,407
Adjustments to reconcile net income to net cash provided by operating activities--			
Depreciation and amortization	226,881	34,740	--
Realized gain on sale of marketable securities	--	--	--
Gain on sale of property and equipment	(7,757)	--	--
(Increase) decrease in--			
Accounts receivable	(1,108,209)	(545,120)	1,634,340
Costs and estimated earnings in excess of billings on uncompleted contracts	(106,889)	(324,276)	37,949
Cash value of life insurance	193,897	--	--
Inventory	(42,800)	(12,377)	(5,567)
Other current assets	(7,630)	(1,196)	(347)
Increase (decrease) in--			
Accounts payable	365,856	969,052	(538,104)
Billings in excess of costs and estimated earnings on uncompleted contracts	108,333	(1,334,811)	(366,273)
Accrued payroll taxes and withholdings	(26,657)	618	(9,895)
Sales tax payable	47,000	--	(47,000)
Net cash provided by operating activities	2,454,813	184,105	1,118,510
Cash flows from investing activities:			
Purchase of property and equipment	(731,700)	(380,023)	(93,140)
Proceeds from sale of property and equipment	7,757	--	--
Net cash used by investing activities	(723,943)	(380,023)	(93,140)
Cash flows from financing activities:			
Proceeds from line of credit	--	--	454,385
Principal payments on notes	(99,292)	(12,750)	(13,408)
Dividends paid	(1,690,749)	(79,903)	(2,162,918)
Net cash used by financing activities	(1,790,041)	(92,653)	(1,721,941)
Net decrease in cash and cash equivalents	(59,171)	(288,571)	(696,571)
Cash and cash equivalents, beginning of year	805,595	805,595	746,424
Cash and cash equivalents, end of year	$ 746,424	$ 517,024	$ 49,853

See independent auditor's report and accompanying notes to financial statements.

PUTZEL ELECTRICAL CONTRACTORS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, MARCH 31, 1998 (UNAUDITED)
AND MARCH 31, 1999 (UNAUDITED)

1. Organization and Description of Business:

Putzel Electrical Contractors, Inc. (the Company) operations consist of commercial electrical subcontracting primarily for general contractors and commercial property owners within the southeastern United States. Most of the work is performed under fixed-price, cost plus, and time and materials contracts.

The operating cycle of the Company's contracts varies but is typically less than one year.

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 three months ended March 31, 1998 and 1999, 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, 1998, 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.

Accounting for construction contracts

Revenues from long-term construction contracts are recognized on the percentage-of-completion method, measured by the percentage of total costs incurred to date to estimated total costs for each contract.

Contract costs include all direct job costs and those indirect costs related to contract performance, such as indirect labor, supplies, insurance, equipment repairs, and depreciation costs. General and administrative costs are charged to expense as incurred.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts", represents revenue recognized in excess of billings. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts", represents billings in excess of revenues recognized. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Summary of Significant Accounting Policies (Continued)

Concentrations of risk

Financial instruments that potentially subject the Company to credit risk consists principally of cash and cash equivalents.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Advertising

Advertising expenses are charged to expense as incurred and are included in general and administrative expenses. Advertising expense totaled $30,063 for the year ended December 31, 1998.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation and amortization is provided on a straight-line basis over the estimated useful life of the assets, which are generally five to thirty-one years. Repairs and maintenance of a routine nature are charged to expense as incurred, while those that improve or extend the life of existing assets are capitalized.

At December 31, 1998, property, plant and equipment consist of the following:

Furniture and fixtures	$ 600,097
Machinery and equipment	128,501
Transportation equipment	1,210,519
Warehouse	117,452
Leasehold improvements	440,967
	2,497,536
Less--accumulated depreciation and amortization	(1,295,510)
Property, plant and equipment, net	$ 1,202,026

Depreciation expense of $63,687 has been included in selling, general and administrative expenses and $163,194 has been included in cost of sales for the year ended December 31, 1998.

Income taxes

The Company elected to be taxed as an S Corporation as of March 1, 1987, under Section 1362 of the Internal Revenue Code. In lieu of corporate income taxes, the stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. As a result of the Company being a non-taxpaying entity, no provision for income taxes has been provided for Federal income tax reporting purposes.

The Company reports income for both financial and tax reporting using the percentage-of-completion method on its long-term contracts.

Upon completion of the acquisition of the Company's outstanding stock as discussed in Note 12, the Company's S Corporation tax status will be terminated.

Summary of Significant Accounting Policies (Continued)

Fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

Marketable securities

The fair values of marketable securities are estimated based on quoted market prices for those or similar investments. The carrying amount approximates fair value. The following is an analysis of the securities:

Trading Securities:	
Marketable securities, at cost	$ 18,806
Gross unrealized gain	18,937
Marketable securities, at fair value	$ 37,743

Contracts in Progress

Contracts in progress at December 31, 1998 are as follows:

Total contracts	$ 22,439,481
Estimated costs	
Costs to date	7,984,999
Costs to complete	8,066,415
Total estimated costs	16,051,414
Estimated gross profit	$ 6,388,067
Amount billed to date	$ 12,852,414
Costs and estimated earnings in excess of billings	452,945
Billings in excess of costs and estimated earnings	(608,764)
Contract revenue earned	12,696,595
Costs to date	(7,984,999)
Gross profit earned	$ 4,711,596

4. Line of Credit

The Company has a $2,000,000 line of credit with a bank with interest payable monthly at a rate per annum of two points above the Eurodollar fixed period rate, which expires on May 31, 1999, secured by Company real estate, accounts receivable, inventory and property and equipment. There is no outstanding balance at December 31, 1998.

5. Notes Payable

Notes payable consist of the following:

$500,000 equipment line of credit with a bank, outstanding amount due on May 30, 1999 with an interest rate of 7.4% per annum, collateralized by transportation equipment. The line of credit has an option for a 42 month payoff.	$ 66,704
Note payable to bank, payable in monthly installments of $444 including interest at 9.75% per annum, matures in February 2002, collateralized by a vehicle.	14,617
Note payable to a bank, installment note with monthly payments of $550 including interest at 9.153% per annum, final payment due in November 2001, collateralized by a vehicle	16,845
Note payable to a bank, installment note with monthly payments of $396 including interest at 9.214% per annum, final payment due in November 2001, collateralized by a vehicle	12,029
Note payable to a bank, installment note with monthly payments of $489 including interest at 9.253% per annum, final payment due in November 2000, collateralized by a vehicle	10,307
Note payable to a bank, with monthly payments of $486 including interest at 9.275% per annum, matures in December 2000, collateralized by a vehicle	12,494
Note payable to a bank, with monthly payments of $487 including interest at 9.0% per annum, matures in May 2001, collateralized by a vehicle	12,945
Note payable to a bank, with monthly payments of $599 including interest at 9.0% per annum, matures in May 2001, collateralized by a vehicle	15,941
Note payable to a bank, with monthly payments of $487 including interest at 9.0% per annum, matures in May 2001, collateralized by a vehicle	12,944

Notes Payable (Continued)

Note payable to a bank, with monthly payments of $1,617 including interest at 7.0% per annum, matures in November 2001, collateralized by three vehicles	51,330
Notes payable	226,156
Less: Current Portion	72,943
Long-term notes payable	$ 153,213

Maturities of the notes payable are as follows:

Year Ended December 31	Amount
1999	$ 72,943
2000	78,386
2001	63,546
2002	11,281
	$ 226,156

Some of the above notes are personally guaranteed by the stockholder

6. Retirement Plan

The Company provides a 401(k) retirement plan for its employees whereby the employees may contribute from 1% to 15% of their salary up to a maximum annual amount. The Company, if it so elects, may match 25% of the employee's contributions to the plan. The Company matching policy does not apply to employee contributions in excess of 6% of their salary. The amount the Company contributed during the year was $33,632.

7. Operating Leases

The Company is paying the stockholder $6,800 per month under a lease for storage rental and office space in Macon.

The Company is paying the stockholder $2,950 per month for a condominium which is used by employees when in the Atlanta area.

The Company is renting office space in the Atlanta area for approximately $38,000 per year.

9. Non-Cash Investing and Financing Activities

The Company purchased property and equipment totaling $850,769 during the year. In conjunction with the acquisitions, the Company financed $119,069 of the purchase price and paid in cash of $731,700.

10. Major Supplier

The Company purchases the majority of its materials from two suppliers.

11. Contingent Liability

A former employee has filed a complaint with the Equal Employment Opportunity Commission. The Company has submitted a statement to the Equal Employment Opportunity Commission denying all liability. A complaint was filed by the former employee in Federal Court on May 26, 1998. The Company has filed an answer denying any liability and has filed a motion for summary judgement. The Company intends to vigorously defend this action. Company attorneys are unable to predict whether an outcome unfavorable to the Company is either probable or remote or the range of potential liability in the event of an unfavorable outcome.

12. Subsequent events

In April 1999, the stockholder of Putzel completed the sale of 100% of his ownership interests in Company to Integrated Electrical Services, Inc.

ITEM 7. (B) PRO FORMA FINANCIAL INFORMATION

INTEGRATED ELECTRICAL SERVICES, INC.

UNAUDITED PRO FORMA FINANCIAL STATEMENTS
BASIS OF PRESENTATION

The unaudited pro forma balance sheet reflects the acquisitions by Integrated Electrical Services, Inc. ("IES"), of ten electrical contracting and maintenance businesses from April 1, 1999 through May 18, 1999 (the "Acquisitions"), as if they had occurred on March 31, 1999. The unaudited pro forma statement of operations for the year ended September 30, 1998, presents the statement of operations data to give effect to the 37 electrical contracting and maintenance companies and related entities (including the 16 companies acquired concurrent with IES' IPO) acquired through September 30, 1998 (the "Fiscal 1998 Acquisitions"), the 23 electrical contracting and maintenance companies and related entities (including the Acquisitions) acquired between October 1, 1998 and May 18, 1999 (the "Fiscal 1999 Acquisitions") and the related pro forma adjustments as if they had occurred on October 1, 1997. The unaudited pro forma statement of operations for the six months ended March 31, 1999, presents the statement of operations data to give effect to the Acquisitions and the related pro forma adjustments as if they had occurred on October 1, 1998.

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 Acquisitions 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 combined financial position or results of operations would actually have been if such transactions in fact had occurred on these dates and are not necessarily representative of IES's combined financial position or results of operations for any future period. Since the acquired entities were not under common control or management prior to their acquisitions by IES, historical combined results may not be comparable to, or indicative of, future performance. The unaudited pro forma combined financial statements should be read in conjunction with the historical consolidated financial statements and notes thereto included in the company's Annual Report for the year ended September 30, 1998 filed on Form 10-K. See also "Business-Risk Factors" included elsewhere therein.

INTEGRATED ELECTRICAL SERVICES, INC.

UNAUDITED PRO FORMA BALANCE SHEET
MARCH 31, 1999
(IN THOUSANDS)

	IES AND SUBSIDIARIES	ACQUISITIONS	PRO FORMA ADJUSTMENTS	PRO FORMA AS ADJUSTED
ASSETS				
CURRENT ASSETS:				
Cash	$ 35,630	$ 4,207	$ (35,907)	$ 3,930
Receivables, net	167,801	18,103	--	185,904
Inventories, net	8,995	482	--	9,477
Cost and estimated earnings in excess of billings on uncompleted contracts	21,129	2,918	--	24,047
Prepaid expenses and other current assets	4,418	1,652	--	6,070
Total current assets	237,973	27,362	(35,907)	229,428
RECEIVABLES FROM RELATED PARTIES	233	--	--	233
GOODWILL, NET	341,703	--	54,797	396,500
PROPERTY AND EQUIPMENT, NET	29,721	5,144	--	34,865
OTHER NONCURRENT ASSETS	9,013	100	--	9,113
Total assets	$ 618,643	$ 32,606	$ 18,890	$ 670,139
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Short-term debt and current maturities of long-term debt	$ 537	$ 2,661	$ (2,661)	$ 537
Accounts payable and accrued expense	83,357	6,838	--	90,195
Billings in excess of costs and estimated earnings on uncompleted contracts	29,863	1,779	--	31,642
Income taxes payable	3,861	2,044	--	5,905
Other current liabilities	451	--	--	451
Total current liabilities	118,069	13,322	(2,661)	128,730
LONG-TERM BANK DEBT	851	881	(881)	851
SENIOR SUBORDINATED NOTES, net of $1,188 discount	148,812	--	--	148,812
OTHER NON-CURRENT LIABILITIES	1,498	39	--	1,537
Total liabilities	269,230	14,242	(3,542)	279,930
STOCKHOLDERS' EQUITY:				
Preferred stock	--	--	--	--
Common stock	299	195	(169)	325
Restricted common stock	27	--	--	27
Treasury stock	--	(22)	22	--
Additional paid-in capital	319,509	378	40,392	360,279
Retained earnings	29,578	17,813	(17,813)	29,578
Total stockholders' equity	349,413	18,364	22,432	390,209
Total liabilities and stockholders' equity	$ 618,643	$ 32,606	$ 18,890	$ 670,139

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	PRO FORMA TOTAL
REVENUES	$ 386,721	$ 363,728	$ 210,717	$ --	$ 961,166
COST OF SERVICES	306,052	295,349	157,214	--	758,615
GROSS PROFIT	80,669	68,379	53,503	--	202,551
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	47,390	62,621	34,134	(38,826)	105,319
NON-CASH, NON-RECURRING COMPENSATION CHARGE	17,036	--	--	(17,036)	--
GOODWILL AMORTIZATION	3,212	--	--	6,880	10,092
INCOME FROM OPERATIONS	13,031	5,758	19,369	48,982	87,140
OTHER INCOME (EXPENSE):					
Interest expense	(1,161)	--	(577)	(2,554)	(4,292)
Interest income	433	730	590	(1,455)	298
Other, net	335	404	528	(462)	805
OTHER INCOME (EXPENSE), NET	(393)	1,134	541	(4,471)	(3,189)
INCOME BEFORE INCOME TAXES	12,638	6,892	19,910	44,511	83,951
PROVISION FOR INCOME TAXES	12,690	5,473	7,664	10,015	35,842
NET INCOME (LOSS)	$ (52)	$ 1,419	$ 12,246	$ 34,496	$ 48,109
EARNING (LOSS) PER SHARE -					
BASIC -	$ 0.00				$ 1.37
DILUTED -	$ 0.00				$ 1.36
SHARES USED IN THE COMPUTATION OF EARNINGS (LOSS) PER SHARE					
BASIC -	19,753,060				35,103,949
DILUTED -	19,753,060				35,503,782

INTEGRATED ELECTRICAL SERVICES, INC.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED MARCH 31, 1999
(IN THOUSANDS)

	IES AND SUBSIDIARIES	ACQUISITIONS	PRO FORMA ADJUSTMENTS	PRO FORMA TOTAL
REVENUES	$ 413,404	$ 70,184	$ --	$ 483,588
COST OF SERVICES	326,934	53,320	(402)	379,852
GROSS PROFIT	86,470	16,864	402	103,736
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	45,590	20,189	(6,551)	59,228
GOODWILL AMORTIZATION	3,943	--	1,103	5,046
INCOME FROM OPERATIONS	36,937	(3,325)	5,850	39,462
OTHER INCOME (EXPENSE):				
Interest expense	(4,923)	(195)	195	(4,923)
Interest income	496	310	(310)	496
Other, net	283	217	--	500
OTHER INCOME (EXPENSE), NET	(4,144)	332	(115)	(3,927)
INCOME BEFORE INCOME TAXES	32,793	(2,993)	5,735	35,535
PROVISION FOR INCOME TAXES	13,961	(1,152)	2,633	15,442
NET INCOME (LOSS)	$ 18,832	$ (1,841)	$ 3,102	$ 20,093
EARNING (LOSS) PER SHARE -				
BASIC -	$ 0.59			$ 0.57
DILUTED -	$ 0.58			$ 0.56
SHARES USED IN THE COMPUTATION OF EARNINGS (LOSS) PER SHARE				
BASIC -	31,761,207			35,103,949
DILUTED -	32,254,651			35,597,393

INTEGRATED ELECTRICAL SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

1. UNAUDITED PRO FORMA BALANCE SHEET:

The Pro Forma Adjustments reflects the Acquisitions which were acquired subsequent to December 31, 1998.

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) the other Founding Companies beginning February 1, 1998 and each acquired company beginning on their respective dates of acquisition.

The Acquisitions column reflects the historical results of the Acquisitions as if they had been acquired on October 1, 1997.

The following table summarizes the Pro Forma Adjustments for the Year Ended September 30, 1998 (in thousands):

	ADJUSTMENTS				PRO FORMA ADJUSTMENTS
	(A)	(B)	(C)	(D)	
Selling, general and administrative expenses	$ (38,826)	$ --	$ --	$ --	$ (38,826)
Non-cash, nonrecurring compensation charge	(17,036)	--	--	--	(17,036)
Goodwill amortization	--	6,880	--	--	6,880
Income (loss) from operations	55,862	(6,880)	--	--	48,982
Other income (expense):					
Interest expense	--	--	(2,554)	--	(2,554)
Interest income	--	--	(1,455)	--	(1,455)
Other, net	--	(462)	--	--	(462)
Other income (expense), net	--	(462)	(4,009)	--	(4,471)
Income (loss) before income taxes	55,862	(7,342)	(4,009)	--	44,511
Provision for income taxes	--	--	--	10,015	10,015
Net income (loss)	$ 55,862	$ (7,342)	$ (4,009)	$ (10,015)	$ 34,496

The following table summarizes the Pro Forma Adjustments for the Quarter Ended December 31, 1998 (in thousands):

	ADJUSTMENTS				PRO FORMA ADJUSTMENTS
	(A)	(B)	(C)	(D)	
Cost of services	(402)	--	--	--	(402)
Gross profit	402	--	--	--	402
Selling, general and administrative expenses $	(6,551)	$ --	$ --	$ --	$ (6,551)
Goodwill amortization	--	1,103	--	--	1,103
Income (loss) from operations	6,953	(1,103)	--	--	5,850
Other income (expense):					
Interest expense	--	--	195	--	195
Interest income	--	--	(310)	--	(310)
Other, net	--	--	--	--	--
Other income (expense), net	--	--	(115)	--	(115)
Income (loss) before income taxes	6,953	(1,103)	(115)	--	5,735
Provision for income taxes	--	--	--	2,633	2,633
Net income (loss)	$ 6,953	$ (1,103)	$ (115)	$ (2,633)	$ 3,102

INTEGRATED ELECTRICAL SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

(a) Reflects the reduction in salaries, bonuses and benefits and lease payments to the owners of the Acquisitions. 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 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.

(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 the reduction of additional interest expense and income on borrowings which will be repaid and collected, respectively, subsequent to the acquisition and the reduction of certain non-recurring other income.

(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.

ITEM 7. (C) EXHIBITS

23.1	Consent of Reznick, Fedder & Silverman
23.2	Consent of Reznick, Fedder & Silverman
23.3	Consent of Davidson and Golden, P.C.

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/ JIM P. WISE

JIM P. WISE
CHIEF EXECUTIVE OFFICER

Dated: May 25, 1999

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTIONS
23.1	Consent of Reznick, Fedder & Silverman
23.2	Consent of Reznick, Fedder & Silverman
23.3	Consent of Davidson and Golden, P.C.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated May 14, 1999, on the financial statements of Delco 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), previously filed Registration Statement on Amendment No. 2 to Form S-4 (File No. 333-75139) and on previously filed Post Effective Amendment No. 5 to Form S-1 on Form S-4 (File No. 333-50031).

/s/ Reznick Fedder & Silverman

REZNICK FEDDER & SILVERMAN
Charlotte, North Carolina
May 25, 1999

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated May 13, 1999, on the financial statements of Valentine Electrical, 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), previously filed Registration Statement on Amendment No. 2 to Form S-4 (File No. 333-75139) and on previously filed Post Effective Amendment No. 5 to Form S-1 on Form S-4 (File No. 333-50031).

/s/ Reznick Fedder & Silverman

REZNICK FEDDER & SILVERMAN
Charlotte, North Carolina
May 25, 1999

EXHIBIT 23.3

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated May 6, 1999, on the financial statements of Putzel Electrical Contractors, Inc. as of December 31, 1998 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), previously filed Registration Statement on Amendment No. 2 to Form S-4 (File No. 333-75139) and on previously filed Post Effective Amendment No. 5 to Form S-1 on Form S-4 (File No. 333-50031).

/s/ DAVIDSON AND GOLDEN, P.C.
Davidson and Golden, P.C.
Nashville, Tennessee
May 25, 1999