

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-13783

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

DELAWARE
(State of other jurisdiction of
incorporation or organization)

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

1800 WEST LOOP SOUTH
SUITE 500
HOUSTON, TEXAS
(Address of principal executive offices)

77027
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 860-1500

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF
EACH CLASS
NAME OF
EACH
EXCHANGE
ON WHICH
REGISTERED

- Common
Stock, par
value \$.01
per share
New York
Stock
Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
Registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No

Indicate by checkmark if disclosure of delinquent filings pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the

best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes [] No [X]

As of November 20, 2003, there were outstanding 38,229,744 shares of common stock of the Registrant. The aggregate market value on such date of the voting stock of the Registrant held by non-affiliates was an estimated \$208.0 million.

DOCUMENT INCORPORATED BY REFERENCE

The information called for by Part III of this Form 10-K is incorporated by reference from the Proxy Statement for the Annual Meeting of Stockholders of the Company to be held January 22, 2004.

INTEGRATED ELECTRICAL SERVICES, INC.
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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended and the Private Securities Litigation Act of 1995. Statements that include the words "except," "intend," "plan," "believe," "project," "anticipate," "will" and similar statements of a future or forward-looking nature identify "forward-looking" statements. 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 in estimating future results, fluctuations in operating results because of variations in levels of construction, changes in general economic conditions in the areas we operate, incorrect estimates used in entering into fixed price contracts, difficulty in managing the operation and growth of existing businesses, the level of competition in the construction industry, changes in economic viability of competitor companies bidding projects that can result in other companies bidding projects under cost, changes in availability of bonding capacity necessary to perform certain types of projects, availability and quality of existing workforce and newly hired employees, weather delaying work, interest rate changes, ability to manage companies in a decentralized structure, changes in management and key personnel, shifting of industrial construction to other countries, regulatory impacts in areas of required ratios of journeymen to helpers and in apprenticeship programs, changes in availability of qualified employees and electricians in particular, unanticipated levels of casualty losses, changes in legislation or regulation in accounting requiring a change in the way we report and due to seasonality (see also "Business-Risk Factors"). Although the Company believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by such factors. The Company specifically disclaims any duty or obligation to update forward-looking statements based on later acquired information.

PART I

ITEM 1. BUSINESS

In this annual report, the words "IES," the "Company," "we," "our," "ours," and "us" refer to Integrated Electrical Services, Inc. and, except as otherwise specified herein, to our subsidiaries. Our fiscal year ends on September 30.

We are the largest provider of electrical contracting services in the United States according to EC&M Magazine. We provide a broad range of services including designing, building, maintaining and servicing electrical, data communications and utilities systems for commercial, industrial and residential customers.

Our electrical contracting services include design of the electrical distribution systems within a building or complex, procurement and installation of wiring and connection to power sources, end-use equipment and fixtures as well as long-term contract maintenance. We service commercial, industrial, and residential markets and have a diverse customer base including: general contractors; property managers and developers; corporations; government agencies and municipalities; and homeowners. We provide services for a variety of projects including: high-rise residential and office buildings, power plants, manufacturing facilities, municipal infrastructure and health care facilities and residential developments. We also offer low voltage contracting services as a complement to our electrical contracting business. Our low voltage services include design and installation of external cables for corporations, universities, data centers and switching stations for data communications companies as well as the installation of fire and security alarm systems. Our utility services consist of overhead and underground installation and maintenance of electrical and other utilities transmission and distribution networks, installation and splicing of high-voltage transmission and distribution lines, substation construction and substation and right-of-way maintenance. Our maintenance services generally provide recurring revenues that are typically less affected by levels of construction activity. We focus on projects that require special expertise, such as design-and-build projects that utilize the capabilities of our in-house engineers or projects that require specific market expertise such as hospitals or power generation facilities, as well as service, maintenance and certain renovation and upgrade work, which tends to either be recurring, have lower sensitivity to economic cycles, or both.

Since 1997, we have developed a national footprint of approximately 140 locations currently serving the continental 48 states through the acquisition and internal growth of established companies operating in our core business areas. From 1997 to 2003, revenues for our businesses increased at a compounded annual growth rate of approximately 29%. Included in that growth was approximately five percent organic or "same store sales" growth. This includes a decline in our revenue base during 2002 and 2003 of approximately seven percent due to market conditions and strategic divestitures. In 2003, we continued to focus internally to integrate our information systems and established a regionally based management structure to enhance operating controls at all levels of our organization, as well as integrating a consolidated procurement program and structure to manage customers and vendors on a national basis.

INDUSTRY OVERVIEW

Using the most recently available data from F. W. Dodge, we estimate the electrical contracting industry will generate annual revenues in excess of \$80 billion in 2003. Data from EC&M Magazine indicates that the electrical contracting industry is highly fragmented, with more than 70,000 companies, most of which are small, owner-operated businesses. This data also indicates that there are only 12 U.S. electrical contractors with revenues in excess of \$200 million. F. W. Dodge data indicates total construction industry revenues have grown at an average compound rate of approximately five percent from 1997 through 2003. This includes a decline in the market from 2001 to 2003 of approximately one percent, where commercial and industrial construction spending was down due to soft market conditions, offset by a rise in residential construction.

During the last decade, electrical contractors have experienced a growing demand for their services due to more stringent electrical codes, increased use of electrical power, increased drive toward outsourcing, increased demand for bandwidth, demand for bundled services, and construction of smart houses with integrated computer,

temperature control and safety systems. This market, while up over the past several years, has been depressed during the last two years due to decreased overall construction spending.

COMPETITIVE STRENGTHS

Our competitive strengths include the following:

- Geographic diversity -- We have approximately 140 locations, currently serving the continental 48 states and have worked on more than 2,000 contracts over \$250,000 and more than 10,000 contracts overall in 2003. IES' national presence mitigates the region specific economic slowdowns. Our presence in states such as Alabama, Virginia, Texas and Colorado has been particularly beneficial through this most recent construction decline, because these areas were less impacted than some of the other areas of the U.S. Since 1997, much of our revenues have been derived from the fast growing Sunbelt states.
- Customer diversity -- Our diverse customer base includes general contractors, property developers and managers, facility owners and managers of large retail establishments, manufacturing and processing facilities, utilities, government agencies and homeowners. No single customer accounted for more than 10% of our revenues for the year ended September 30, 2003. We believe that customer diversity provides us with many advantages including enabling us to better serve national customers with multiple locations and reducing our dependence on any particular customer.

Our company services a wide variety of customers, which tends to cushion us somewhat from sector declines. The impact of a slowdown in a particular industry is typically muted when compared to its smaller, more geographically or sector concentrated competitors. Additionally, our expertise in a variety of industries allows us to be flexible and to share our expertise across regions.

Electrical utility work is a component of our overall service offering which allows us even further diversity. We do a significant amount of power, power line and "electrical grid" work. During fiscal 2003, approximately \$107.3 million, or 7%, of our revenues were from power utility work. Although current construction spending estimates according to F.W. Dodge indicate that spending in this sector will be down in 2003 and 2004, recent large-scale power outages may encourage heightened spending levels in this area. We have the ability to mobilize our operations for the power utility sector quickly due to the number of locations we have with expertise in this area.

We do see a shift in the composition of our backlog from time to time. During 2003, our backlog of work in progress for commercial and industrial work declined in the areas of hotels and condominiums, health care facilities, manufacturing facilities and airports; areas of backlog growth included institutions, utility work and projects for the government.

- Expertise -- We have developed areas of expertise in high-rise buildings including hotels, condominiums and office buildings, retail centers, hospitals, switching centers and utility substations and single-family and multi-family residential homes. We believe that our technical expertise provides us with (1) access to higher margin design-and-build projects; (2) access to growth markets including wireless telecommunications, highway lighting and traffic control, video and security and fire systems; and (3) the ability to deliver quality service with greater reliability than that of many of our competitors.
- Ability to Service National Projects -- Our nationwide presence and name recognition helps us compete for larger, national contracts with customers that operate throughout the U.S. Additionally, we believe our size and national service offering uniquely positions us as the only single source open shop electrical contracting service provider able to execute projects on a national basis. We are able to take on very large and complex projects, often with a national scope, that would strain the capabilities and resources of most of our competitors. This type of work represents a growing market and we have made significant progress in pursuing these sizable accounts. A few of our current national customers include Wal-Mart, the U.S. Navy, Marriott, Nordstrom, Intel, Starbucks, Ryland Homes and Pulte Homes.
- Access to resources -- Access to resources is a key to success, especially in this difficult environment. Many of our competitors have experienced reduced access to both bonding capacity and capital, which

constrains their ability to effectively compete and bid on many jobs. As a result of our size and track record, we have the financial ability to maintain adequate bonding capacity. This, in conjunction with our access to a \$125 million credit facility, provides a significant competitive advantage over most of our competitors. We are able to bid on large projects that require bonding and working capital that may exceed the capacity of our competitors.

Many customers require subcontractors to post performance and payment bonds issued by a surety. Those bonds guarantee the customer that the service provider will perform under the terms of a contract and pay subcontractors and vendors. In the event a contractor or subcontractor fails to perform under a contract or pay subcontractors and vendors, the customer may demand the surety to pay or perform under the bond.

We have maintained a relationship with the same surety since our inception in 1997. Recently, we added a second or co-surety, thus increasing the amount of surety credit available to us. Our relationship with our sureties is such that we will indemnify them for any expenses they incur in connection with any of the bonds they issue on our behalf. In a market where bonding has become an issue for many of our competitors, we are fortunate to be in such a strong position as it relates to bonding capacity. To date, we have not incurred significant costs to indemnify our sureties for expenses they incurred on our behalf. As of September 30, 2003, the expected cost to complete projects covered by surety bonds was approximately \$227.9 million.

- Proprietary systems and processes -- We have proprietary systems and processes that help us bid on projects, manage projects once they have been awarded and maintain and track customer information. In addition, we developed and perfected techniques and processes for installation on a variety of different projects, including a prefabrication process we implemented throughout the organization. Through the consolidation of over 85 entities, we have taken the best practices within our company and leveraged those systems and processes across the entire organization for "best in class" practices.
- Utilization of prefabrication processes -- Our size and 100% merit shop environment has allowed us to quickly implement best prefabrication practices across our company. We prefabricate significant portions of electrical installations off-site and ship materials to the installation sites in specific sequences to optimize materials management, improve efficiency and minimize our employees' time on job sites. This is safer, more efficient and more cost effective for both us and our customers. We have prefabrication centers strategically located to service our companies throughout the U.S., and we believe our prefabrication processes are among the best in the electrical contracting industry.
- Experienced management -- Our management teams have extensive experience and well-known reputations in the markets they serve. In addition, we have developed a strong team of executive officers, led by Herbert (Roddy) Allen, with extensive operating experience. We believe management and our employees currently own approximately 25% of our outstanding common stock.

STRATEGY

At the beginning of fiscal 2002 we implemented a three-phase strategy that is in place and will continue. Phase one, "Back to Basics," focuses on our business fundamentals, including building backlog, controlling costs and generating strong cash flow. Phase two of our strategy, "One Company. One Plan," is a focus on initiatives to further integrate our company, given its formation through a series of acquisitions and its decentralized organizational structure. We recently entered phase three of our plan, "Continued Growth," which emphasizes expanding the business both internally and externally through selective acquisitions. Throughout the implementation of this three-phase strategy, we have reduced our debt and increased our working capital, creating a more conservative capital structure. The three phases of this initiative are detailed in the table below. This multi-phased strategy builds upon itself. As we enter the third phase, we continue to focus on the elements of the first two phases.

- - PHASE I -- BACK TO BASICS

Build backlog. Building backlog is a primary element of our strategy. Our ability to maintain a large backlog highlights the advantages of our size and diverse customer base and helps us navigate through difficult economic periods. Our backlog of work in progress has decreased to approximately \$708 million as of September 30, 2003 from approximately \$801 million as of September 30, 2002. This decline is the result of many factors, including the removal of \$16.5 million of project work due to financial difficulties of one customer. We have also changed our backlog calculation method for many industrial long-term maintenance contracts, which has eliminated approximately \$29 million in work from backlog, although they are still a source of revenues for us. From 2001 through 2003, we worked on a few very large contracts that spanned two to three years, which significantly increased backlog. These larger projects are nearing completion, which lowers the total backlog. Our backlog of significant longer-term contracts, defined as contracts in excess of \$7.5 million, has decreased from approximately \$209.5 million, or 26% of our backlog, as of September 30, 2002, to approximately \$120.5 million, or 17% of our backlog, as of September 30, 2003. This indicates the duration of our backlog is slightly shorter, as it is comprised of smaller projects that are generally completed more quickly and tend to earn higher margins. During the year ended September 30, 2003, our average contract size was approximately \$0.5 million and lasted approximately six months.

Control Costs. Reducing costs is a key element of the Back to Basics strategy. We have taken and will continue to take steps to operate more efficiently and reduce expenses in order to increase our profitability and remain competitive within the industry. We continue to strengthen our relationships with suppliers in an effort to reduce the costs of delivering services. We consolidated the administrative functions of many of our business locations in an effort to streamline operations and we will continue to do so where appropriate. We believe that by focusing on cost reduction, we are better positioned for competitive success in any business environment. The table below shows a reduction of over \$60 million in our selling, general and administrative expenses over a two-year period (in millions):

FISCAL YEAR ENDED SEPTEMBER 30, -----	-----	-----	-----
----- 2001 2002 2003 -----	-----	-----	-----
Corporate.....	\$ 45.3	\$ 23.7	\$ 19.4
Operating			
Locations.....	150.5	134.3	168.8
Total.....	\$214.1	\$174.2	\$153.7

Focus on cash flow. Focusing on cash flow is the third component of the Back to Basics strategy. We are focused on increasing cash flow by strategic planning and by maintaining an efficient base business. Effective tax planning reduced cash taxes paid by \$8.2 million for the year ended September 30, 2002 and by \$10.3 million for the year ended September 30, 2003. We have improved cash flow generation from operations over the last two years. Cash flow from operations increased from \$8.6 million in 2001 to \$53.4 million and \$39.3 million in 2002 and 2003, respectively. We also reduced capital expenditures from \$25.8 million in 2001 to \$11.9 million and \$8.7 in 2002 and 2003, respectively.

- - PHASE II -- ONE COMPANY. ONE PLAN.

In fiscal 2002, with Back to Basics in place and its benefits ongoing, we moved to phase two of our strategic plan, One Company. One Plan. The primary goal of One Company. One Plan. was to achieve a higher level of integration among our operating units. We divested non-core and under-performing subsidiaries and combined some operating locations. We continue to streamline the organization and recognize significant value from increased integration. We instituted a new management structure to share best practices, began implementation of an integrated financial planning and reporting system, focused on unified employee programs and incentives and increased employee training programs. We also focused on improving our safety record, generating savings through a centralized procurement program and servicing customers on a national basis.

Management structure. We manage our business based on our operating segments. Within our commercial and industrial segment, our subsidiaries are managed with five geographically based operating officers reporting directly to our Chief Operating Officer. Our residential business segment also reports directly to the Chief

Operating Officer. This operating structure provides us a platform for strong operating and financial controls, allows us to more efficiently manage the business and fosters implementation of best practices across the organization. This structure also allows us to manage customer relationships above the local level. We believe this structure enables us to continue to expand the services and expertise we offer in each of our local markets by using specialized technical and marketing skills to maintain and strengthen relationships with general contractors and other customers; build positive relationships with engineers and architects; address design preferences and code requirements across the nation; increase labor sharing and joint project execution and continuously improve administrative, safety, hiring and training practices.

The Executive Committee, comprised of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Technology and Procurement Officer, Senior Vice President of Operations and Senior Vice President of Human Resources, monitors our operations and fosters our progress on the three-phase strategy.

Financial reporting and planning. All of our operating subsidiaries are joined on a common Wide Area Network ("WAN"). This platform enables us to access and monitor the computer servers at each subsidiary location and facilitates efficient communication. Stringent controls are in place limiting access to the data stored on each location's server.

We are 80% complete in implementing a standard Enterprise Resource Planning ("ERP") software system across all of our operating units and are expecting full implementation by the end of calendar year 2004. This software is a third-party developed program specifically created for specialty construction contractors and enables us to manage our projects and report our financial results. We also implemented a consolidated financial analysis and planning system, which is compatible with our financial reporting system, and enables us to further analyze and track data, both from a financial statement standpoint and on a job-by-job basis. These systems provide real-time access to financial records, increase our ability to perform analyses, foster improved project management systems and provide more uniform data, which help improve the overall management of the business. To date, these systems have helped shorten and streamline the monthly financial closing process together with providing higher data integrity.

Employee programs. We provide a common, unified healthcare plan to our employees. We are focusing on other employee benefits as well, which include employee training. As an example, we partnered with Falls Management Institute, a firm that specializes in construction industry consulting, to train our project managers. This program will ensure consistent project management procedures and proficiency levels across the company. We are focused on all aspects of employee benefits, including incentive compensation. We established a bonus plan focused on overall company performance and subsidiary performance for all executive management and subsidiary leaders. Our executive incentive compensation plan, while discretionary, is structured so our management executives and subsidiary leaders may receive compensation up to a targeted amount once we achieve certain levels of profitability.

Safety. Our focus on safety is continuously improving performance. The frequency of recordable accidents, defined as number of recorded accidents per 100 employees per year, is a key safety measure. Recordable frequency rates have decreased each year to 3.80 per 100 employees in fiscal 2003, as shown in the table below. The industry average through 2001 is approximately eight recordable accidents per 100 employees according to the Bureau of Labor Statistics, so our safety focus has improved our performance to less than half the industry average. In addition to protecting our workers, an improved safety record should lead to lower insurance costs in the future.

RECORDABLE ACCIDENTS PER 100 YEAR ENDED SEPTEMBER 30,	
EMPLOYEES - -----	
2001.....	6.41
2002.....	4.65
2003.....	3.80

Procurement. Our procurement strategy involves forging relationships and alliances with manufacturers, service providers and distributors. These alliances include volume-based rebates, increased service commitments, funding for our company-wide procurement catalog and partial sponsorship of company-wide events. As part of this procurement strategy, we established a system for improving the accuracy of tracking the goods and services we purchase. We currently track approximately 70% of our procurement spending for electrical supplies. The national procurement initiative is generating positive results, as evidenced by our rebate program. We earned cash volume-based rebates of approximately \$2.1 million and \$2.5 million during the years ended September 30, 2002 and 2003, respectively.

Customer focus. We are committed to managing relationships with nation-wide customers and providing services to larger customers across the country. We maintain a customer database that tracks projects and provides centralized access to customer data. This database is particularly important due to our unique relationship with our customers. We typically perform work for a general contractor; however, the ultimate customer is the end user, such as Walgreen's or 3M. We believe it is imperative that we maintain and foster relationships with both of these customer groups, so we track our work performed accordingly. We also place emphasis on multi-location national projects. During the year ended September 30, 2003, we commenced work on two new projects with a national scope. We believe these projects will provide us with additional opportunities for growth in the future.

- - PHASE III -- CONTINUED GROWTH

With the implementation of the first two phases of our strategy, we have a solid foundation for strategic, profitable growth. We are more streamlined and efficient, and we function more as a unified organization than as a federation of different entities.

Internal growth. We expect to grow internally by expanding our service offerings in our existing markets and through expanding the geographic locations we currently serve. We also plan to open new locations in certain strategic markets where we do not currently have a presence.

External growth. Our acquisition and expansion plans will be strategically focused and will occur at a manageable pace. We plan to continue to expand through selective and cost effective acquisitions in geographic markets that are projected to have higher than average construction spending growth. Acquisitions and expansions will be focused where we do not currently have a significant presence or in specific market segments or service offerings that tend to be more profitable for us.

We made one acquisition during the year ended September 30, 2003 of a company that services the commercial and industrial market in the state of Colorado. According to F. W. Dodge, the state of Colorado is projected to have approximately 12% compound annual growth in non-residential construction spending over the next five years, which is over two times the projected U.S. non-residential construction growth level. Previously, we did not have a strong presence in Colorado. This acquisition, which occurred during our second fiscal quarter, was accretive to earnings during the year ended September 30, 2003.

- - CAPITAL STRUCTURE IMPROVEMENTS

Across all three phases of our strategic plan, we are focused on continuously improving our capital structure. We are utilizing cash flow from operations to reduce debt and to repurchase common stock. We reduced our total debt by \$39.6 million during the year ended September 30, 2002, and we maintain a \$125 million credit facility with a group of lending institutions that has no outstanding borrowings as of September 30, 2003. We also recently completed a two million-share common stock repurchase program announced in August 2002. Our working capital has increased \$29.8 million from \$236.6 million as of September 30, 2001 to \$266.4 million as of September 30, 2003.

THE MARKETS WE SERVE

Commercial and Industrial Market. Our commercial and industrial work consists primarily of electrical, communications and utility installations and upgrade, renovation, replacement and service and maintenance work in:

- airports;
- community centers;
- high-rise apartments and condominiums;
- hospitals and health care centers;
- hotels;
- manufacturing and processing facilities;
- military installations;
- office buildings;
- refineries, petrochemical and power plants;
- retail stores and centers;
- schools; and
- theaters, stadiums and arenas.

Our commercial and industrial customers include:

- general contractors;
- developers;
- building owners and managers;
- engineers;
- architects; and
- consultants.

Demand for our commercial and industrial services is driven by construction and renovation activity levels, as well as more stringent local and national electrical codes. From fiscal 1997 through 2003, our pro forma combined revenues from commercial and industrial work has grown at a compound annual rate of approximately 3.2% per year, including a decline of 6.6% from 2001 to 2003 where commercial and industrial spending was down due to soft market conditions. According to F. W. Dodge, the construction industry has grown at a compound annual rate of approximately 2.1% per year, including a decline of 7.4% from 2001 to 2003 where commercial and industrial spending was down due to soft market conditions. Commercial and industrial work represented approximately 85%, 81% and 81% of our revenues for the years ended September 30, 2001, 2002 and 2003, respectively. Pro forma combined revenues include revenues generated by our subsidiaries prior to acquisition by us.

New commercial and industrial work begins with either a design request or engineer's plans from the owner or general contractor. Initial meetings with the parties allow us to prepare preliminary, detailed design specifications, engineering drawings and cost estimates. Projects we design and build generally provide us with higher margins. "Design and build" gives full or partial responsibility for the design specifications of the installation. Design and build is an alternative to the traditional "plan and spec" model, where the contractor builds to the exact specifications of the architect and engineer. We prefer to perform design and build work, because it allows us to use past experience to install a more cost effective project for the customer with higher profitability to us. Once a project is awarded, it is conducted in scheduled phases and progress billings are rendered to our customer for payment, less a retention of 5% to 10% of the construction cost of the project. We generally provide the materials to be installed as a part of these contracts, which vary significantly in size from a few hundred dollars to several million dollars and vary in duration from less than a day to more than a year. Actual fieldwork is coordinated during this time, including:

- ordering of equipment and materials;
- fabricating or assembling of certain components (pre-fabrication);
- delivering of materials and components to the job site; and
- scheduling of work crews and inspection and quality control.

Our size enables us to effectively prefabricate significant portions of certain projects at an alternative site and drop ship materials in specific sequences. Prefabrication allows us to optimize materials management and minimize the amount of time specialized employees spend on the job site, as well as minimizing the overall time it takes to complete a project because working in a controlled assembly environment is more efficient than preparing all materials on site.

Our service and maintenance revenues are derived from service calls and routine maintenance contracts, which tend to be recurring and less sensitive to economic fluctuations. Service and maintenance is supplied on a long-term and per-call basis. Long-term service and maintenance is provided through contracts that require the customer to pay an annual or semiannual fee for periodic diagnostic services at a specific discount from standard prices for repair and replacement services. Per-call service and maintenance is initiated when a customer requests emergency repair service. Service technicians are scheduled for the call or routed to the customer's residence or business by the dispatcher. We will then follow up with the customer to schedule periodic maintenance work. Service personnel work out of our service vehicles, which carry an inventory of equipment, tools, parts and supplies needed to complete the typical variety of jobs. The technician assigned to a service call:

- travels to the residence or business;
- interviews the customer;
- diagnoses the problem;
- prepares and discusses a price quotation; and
- performs the work and often collects payment from the customer immediately.

Most service work is warranted for thirty days.

We design and install communications and utility infrastructure systems and low voltage systems for the commercial and industrial market as a complement to our primary electrical contracting services. We believe the demand for our communications services is driven by the following factors: the pace of technological change; the overall growth in voice and data traffic; and the increasing use of personal computers and modems, with particular emphasis on the market for broadband internet access. Demand for our utilities services is driven by industry deregulation, limited maintenance or capital expenditures on existing systems and increased loads and supply and delivery requirements. Demand for our low voltage systems is driven by the construction industry growth rate and our ability to cross-sell among our customers.

Residential Market. Our work for the residential market consists primarily of electrical installations in new single-family housing and low-rise, multi-family housing, for local, regional and national homebuilders and developers. We believe demand for our residential services is dependent on the number of single-family and multi-family home starts. Single-family home starts are affected by the level of interest rates and general economic conditions. A competitive factor particularly important in the residential market is our ability to develop relationships with homebuilders and developers by providing services in multiple areas of their operations. This ability has become increasingly important as consolidation has occurred in the residential construction industry and homebuilders and developers have sought out service providers that can provide consistent service in all of their operating regions.

We are currently one of the largest providers of electrical contracting services to the U.S. residential construction market. Our residential business has experienced significant growth. Our pro forma combined revenues from residential electrical contracting have grown at a compound annual rate of approximately 13.5% from fiscal 1997 through 2003 compared to an industry average of approximately 8.8% according to F. W. Dodge. Residential electrical contracting represented approximately 15%, 19% and 19% of our revenues for the years ended September 30, 2001, 2002 and 2003, respectively.

New residential installations begin with a builder providing potential subcontractors the architectural or electrical drawings for the residences within the tract being developed. We typically submit a bid or contract proposal for the work. Our personnel analyze the plans and drawings and estimate the equipment, materials and parts and the direct and supervisory labor required to complete the project. We deliver a written bid or negotiate an arrangement for the job. The installation work is coordinated by our field supervisors and the builders' personnel. Payments for the project are generally obtained within 30 days, at which time any mechanics' and

materialmen's liens securing these payments are released. Interim payments are often obtained to cover labor and materials costs on larger projects.

CUSTOMERS

Major Customers. We have a diverse customer base. During the year ended September 30, 2003, no single customer accounted for more than 10% of our revenues. As a result of our emphasis on quality and worker reliability, our management and a dedicated sales and work force have been responsible for developing and maintaining successful relationships with key customers. We recently worked on projects for the following customers:

3M	Hubbard Construction Group	Nissan
AMEC	Hyatt Corporation	Robins & Morton
Austin Industries	Intel	Six Continents
Beck Group	J. E. Dunn Group	Skanska USA
Bovis, Inc.	Kohl's	Structure Tone, Inc.
Centex Construction	Kraft Construction	Target
Fluor Corporation	Lemoine Company	Turner Corporation
Four Seasons Hotel	Lennar Homes	Walgreen's
Hannover Company	Manhattan Construction	Wal-Mart
Hansel Phelps Corporation	Marriott International	Weitz Group
Home Depot	MB Kahn	Whiting Turner Construction

We intend to continue our emphasis on developing and maintaining relationships with our customers by providing superior, high-quality service.

COMPANY OPERATIONS

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

We actively recruit and screen applicants for our technical positions and have established programs in some locations to recruit apprentice technicians directly from high schools and vocational technical schools. We recently initiated recruiting efforts at universities and colleges, such as Texas A&M University and Clemson University, for skilled graduates in the Engineering and Construction Science fields. Prior to hiring new employees, we assess their technical competence level, confirm background references and conduct drug testing.

Materials and Supplies. As a result of economies of scale, we believe we have been able to purchase equipment, parts and supplies at discounts to prices at which stand-alone companies can purchase. In addition, as a result of our size, we are able to lower our costs for (i) the purchase or lease of vehicles; (ii) bonding,

(iii) property, casualty and liability insurance; (iv) health insurance and related benefits; (v) retirement benefits administration; and (vi) office and computer equipment.

Substantially all the equipment and component parts we sell or install are purchased from manufacturers and other outside suppliers. We are not materially dependent on any one of these outside sources for our supplies.

Control and Information Systems. We are committed to performing those controls and procedures that improve our efficiency and the monitoring of our operations. We are over 80% complete in deploying a standard Enterprise Resource Planning ("ERP") software to all of our operating companies. We believe ERP applications are paramount to a growing business with our diverse geographic platform. Additionally, we have implemented a financial reporting and planning application to complement the ERP application that provides a uniform structure and analytical tools for the reporting process. This application was utilized for our 2003 and 2004 planning processes. We expect to have the implementation completed by the end of calendar year 2004. Implementation of this ERP system and financial reporting application allows us to obtain more timely results of operating performance and perform more detailed analyses. In addition to our ERP system, other controls and procedures we have in place include:

- pre-determined approval levels for bidding jobs. Each subsidiary may approve certain jobs based on each subsidiary's gross revenues, the level of experienced estimating personnel on staff, the type of work to be bid (i.e. niche vs. non-niche work to take advantage of our centers of excellence), and manpower availability. If a job exceeds these parameters additional approvals must be obtained.
- an automated uniform monthly reporting process with data controls.
- a series of quarterly reviews conducted by our senior management team. Every other quarter, these meeting locations rotate between the corporate office in Houston, Texas and various locations. The content of such meetings includes discussing safety performance, previous operating results, forecasts for the future, issues, opportunities and concerns.
- a formalized planning process that involves analyzing industry trends at a county level for each subsidiary. This planning also formalizes the capital allocation process.

COMPETITION

The electrical contracting industry is highly fragmented and competitive. Most of our competitors are small, owner-operated companies that typically operate in a limited geographic area. There are few public companies focused on providing electrical contracting services. In the future, competition may be encountered from new market entrants. Competitive factors in the electrical contracting industry include:

- the availability of qualified and licensed electricians or qualified technicians;
- safety record;
- cost structure;
- relationships with customers;
- geographic diversity;
- ability to reduce project costs;
- access to technology;
- experience in specialized markets; and
- ability to obtain bonding.

See "Risk Factors"

REGULATIONS

Our operations are subject to various federal, state and local laws and regulations, including:

- licensing requirements applicable to electricians;
- building and electrical codes;

- regulations relating to consumer protection, including those governing residential service agreements; and
- regulations relating to worker safety and protection of the environment.

We believe we have all licenses required to conduct our operations and are in substantial compliance with applicable regulatory requirements. Our failure to comply with applicable regulations could result in substantial fines or revocation of our operating licenses or an inability to perform government work.

Many state and local regulations governing electricians require permits and licenses to be held by individuals. In some cases, a required permit or license held by a single individual may be sufficient to authorize specified activities for all our electricians who work in the state or county that issued the permit or license. It is our policy to ensure that, where possible, any permits or licenses that may be material to our operations in a particular geographic area are held by multiple IES employees within that area.

RISK MANAGEMENT AND INSURANCE

The primary risks in our operations include health, bodily injury, property damage and injured workers' compensation. We maintain automobile and general liability insurance for third party health, bodily injury and property damage and workers' compensation coverage, which we consider appropriate to insure against these risks. Our third-party insurance is subject to large deductibles for which we establish reserves and, accordingly, we effectively self-insure for much of our exposures.

EMPLOYEES

At September 30, 2003, we had approximately 13,000 employees. We are not a party to any collective bargaining agreements with our employees. We believe that our relationship with our employees is satisfactory.

AVAILABLE INFORMATION

We file our interim and annual financial reports, as well as other reports required by the Securities Exchange Act of 1934 with the United States Securities and Exchange Commission (the "SEC"). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains a website at www.sec.gov that contains our filings. We make available free of charge through our website at www.ies-co.com all filings with the SEC as soon as it is reasonably practicable after such material is electronically filed. Paper copies of these filings are also available free of charge upon written request to us.

We have adopted a Code of Ethics for Financial Executives, a Code of Business Conduct and Ethics for directors, officers and employees (the legal Compliance and Corporate Policy Manual) and established Corporate Governance Guidelines, copies of which may be found on our website at www.ies-co.com. Paper copies of these documents are also available free of charge upon written request to us. We have designated an "audit committee financial expert" as that term is defined by the SEC. Further information about this designee may be found in the Proxy Statement for the Annual Meeting of Stockholders of the Company.

RISK FACTORS

- - DOWNTURNS IN CONSTRUCTION COULD ADVERSELY AFFECT OUR BUSINESS BECAUSE MORE THAN HALF OF OUR BUSINESS IS DEPENDENT ON LEVELS OF NEW CONSTRUCTION ACTIVITY.

More than half of our business is the installation of electrical systems in newly constructed and renovated buildings, plants and residences. Downturns in levels of construction or housing starts could have a material adverse effect on our business, financial condition and results of operations. Our ability to maintain or increase revenues from new installation services will depend on the number of new construction starts and renovations, which will likely correlate with the cyclical nature of the construction industry. The number of new building starts will be affected by local economic conditions, changes in interest rates and other factors, including the following:

- employment and income levels;
- interest rates and other factors affecting the availability and cost of financing;
- tax implications for homebuyers and commercial construction;
- consumer confidence; and
- housing demand.

Additionally, a majority of our business is focused in the southeastern and southwestern portions of the United States, concentrating our exposure to local economic conditions in those regions. Downturns in levels of construction or housing starts in these geographic areas could result in a material reduction in our activity levels.

- - THE HIGHLY COMPETITIVE NATURE OF OUR INDUSTRY COULD AFFECT OUR PROFITABILITY BY REDUCING OUR PROFIT MARGINS.

The electrical contracting industry is served by many small, owner-operated private companies, public companies and several large regional companies. We could also face competition in the future from new competitors entering these markets. Some of our competitors offer a greater range of services, including mechanical construction, facilities management, plumbing and heating, ventilation and air conditioning services. Competition in our markets depends on a number of factors, including price. Some of our competitors may have lower overhead cost structures and may, therefore, be able to provide services comparable to ours at lower rates than we do. If we are unable to offer our services at competitive prices or if we have to reduce our prices to remain competitive, our profitability would be impaired.

- - THERE IS CURRENTLY A SHORTAGE OF QUALIFIED ELECTRICIANS. SINCE THE MAJORITY OF OUR WORK IS PERFORMED BY ELECTRICIANS, THIS SHORTAGE MAY NEGATIVELY IMPACT OUR BUSINESS, INCLUDING OUR ABILITY TO GROW.

There is currently a shortage of qualified electricians in the United States. In order to conduct our business, it is necessary to employ electricians. While overall economic growth has diminished, our ability to increase productivity and profitability may be limited by our ability to employ, train and retain skilled electricians required to meet our needs. Accordingly there can be no assurance, among other things, that:

- we will be able to maintain the skilled labor force necessary to operate efficiently;
- our labor expenses will not increase as a result of a shortage in the skilled labor supply; and
- we will not be able to grow as a result of labor shortages.

- - DUE TO SEASONALITY AND DIFFERING REGIONAL ECONOMIC CONDITIONS, OUR RESULTS MAY FLUCTUATE FROM PERIOD TO PERIOD.

Our business is subject to seasonal variations in operations and demand that affect the construction business, particularly in residential construction. Our quarterly results may also be affected by the regional economic conditions. Accordingly, our performance in any particular quarter may not be indicative of the results that can be expected for any other quarter or for the entire year.

- - THE ESTIMATES WE USE IN PLACING BIDS COULD BE MATERIALLY INCORRECT. THE USE OF INCORRECT ESTIMATES COULD RESULT IN LOSSES ON A FIXED PRICE CONTRACT. THESE LOSSES COULD BE MATERIAL TO OUR BUSINESS.

We currently generate, and expect to continue to generate, more than half of our revenues under fixed price contracts. The cost of labor and materials, however, may vary from the costs we originally estimated. Variations from estimated contract costs along with other risks inherent in performing fixed price contracts may result in actual revenue and gross profits for a project differing from those we originally estimated and could result in losses on projects. Depending upon the size of a particular project, variations from estimated contract costs can have a significant impact on our operating results for any fiscal quarter or year. We must estimate the costs of completing a particular project to bid for these fixed price contracts.

- - A SIGNIFICANT AMOUNT OF OUR HISTORIC GROWTH HAS OCCURRED THROUGH THE ACQUISITION OF EXISTING BUSINESSES; HOWEVER, FUTURE ACQUISITIONS WILL BE MADE ON A SELECTIVE BASIS AND MAY BE DIFFICULT TO IDENTIFY AND INTEGRATE AND MAY DISRUPT OUR BUSINESS AND ADVERSELY AFFECT OUR OPERATING RESULTS.

Historically, a significant amount of our growth has come through acquisitions. From April 1998 through December 2000, we made 71 acquisitions. We made one acquisition in February 2003. We currently do not intend to grow materially through acquisitions in the foreseeable future; however, we continually evaluate acquisition prospects to complement and expand our existing business platforms. The timing, size or success of any acquisition effort and the associated potential capital commitments cannot be predicted. If we are unable to find appropriate acquisitions, our future ability to grow our revenues and profitability may be diminished. Each acquisition, however, involves a number of risks. These risks include:

- the diversion of our management's attention from our existing businesses to integrating the operations and personnel of the acquired business;
- possible adverse effects on our operating results during the integration process; and
- our possible inability to achieve the intended objectives of the combination.

We may seek to finance an acquisition through borrowings under our credit facility or through the issuance of new debt or equity securities. There can be no assurance that we will be able to secure this financing if and when it is needed or on the terms we consider acceptable. If we should proceed with a relatively large cash acquisition, we could deplete a substantial portion of our financial resources to the possible detriment of our other operations. Any future acquisitions could also dilute the equity interests of our stockholders, require us to write off assets for accounting purposes or create other undesirable accounting issues, such as significant exposure to impairments of goodwill or other intangible assets.

- - WE MAY EXPERIENCE DIFFICULTIES IN MANAGING INTERNAL GROWTH.

In order to continue to grow internally, we expect to expend significant time and effort managing and expanding existing operations. We cannot guarantee that our systems, procedures and controls will be adequate to support our expanding operations, including the timely receipt of financial information. Our growth imposes significant added responsibilities on our senior management, such as the need to identify, recruit and integrate new senior managers and executives. If we are unable to manage our growth, or if we are unable to attract and retain additional qualified management, our operations could be materially adversely affected.

- - WE MAY EXPERIENCE DIFFICULTIES IN MANAGING OUR WORKING CAPITAL.

Our billings under fixed price contracts are generally based upon achieving certain benchmarks and will be accepted by the customer once we demonstrate those benchmarks have been met. If we are unable to show the compliance with billing requests, or if we fail to issue a project billing, our likelihood of collection could be delayed or impaired, which could have a materially adverse effect on our operations.

- - TO SERVICE OUR INDEBTEDNESS AND TO FUND WORKING CAPITAL, WE WILL REQUIRE A SIGNIFICANT AMOUNT OF CASH. OUR ABILITY TO GENERATE CASH DEPENDS ON MANY FACTORS.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. This is subject to our operational performance, as well as general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Our credit facility will expire in May 2006, and our long-term senior subordinated notes are due in February 2009.

We cannot provide assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our credit facility in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, on or before maturity. We cannot provide assurance that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. Our inability to refinance our debt on commercially reasonable terms could materially adversely affect our business.

- - WE HAVE A SUBSTANTIAL AMOUNT OF DEBT. OUR CURRENT DEBT LEVEL COULD LIMIT OUR ABILITY TO FUND FUTURE WORKING CAPITAL NEEDS AND INCREASE OUR EXPOSURE DURING ADVERSE ECONOMIC CONDITIONS.

Our indebtedness could have important consequences. For example, it could:

- increase our vulnerability to adverse operational performance and economic and industry conditions;
- limit our ability to fund future working capital, capital expenditures and other general corporate requirements;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a disadvantage compared to a competitor that has less debt; and
- limit our ability to borrow additional funds.

- - A SIGNIFICANT PORTION OF OUR BUSINESS DEPENDS ON OUR ABILITY TO PROVIDE SURETY BONDS. THE INABILITY BY US TO OBTAIN SURETY BONDS COULD ADVERSELY AFFECT OUR OPERATING RESULTS.

Surety market conditions are currently difficult as a result of significant losses incurred by many sureties in recent periods, both in the construction industry as well as in certain larger corporate bankruptcies. As a result, less bonding capacity is available in the market and terms have become more restrictive. Further, under standard terms in the surety market, sureties issue bonds on a project by project basis, and can decline to issue bonds at any time. Historically, approximately 30% of our fixed price contract business has required bonds. While we have enjoyed a longstanding relationship with our surety and have recently added another surety, current market conditions as well as changes in our sureties' assessment of our operating and financial risk could cause our sureties to decline to issue bonds for our work. If that were to occur, our alternatives include doing more business that does not require bonds, posting other forms of collateral for project performance such as letters of credit or cash, and seeking bonding capacity from other sureties. There can be no assurance that we could easily achieve these alternatives. Accordingly, if we were to experience an interruption in the availability of bonding capacity, our operating results could be adversely impacted.

- - WE HAVE ADOPTED TAX POSITIONS THAT A TAXING AUTHORITY MAY VIEW DIFFERENTLY. IF A TAXING AUTHORITY DIFFERS WITH OUR TAX POSITIONS, OUR RESULTS MAY BE ADVERSELY AFFECTED.

Our effective tax rate and cash paid for taxes are impacted by numerous tax positions that we have adopted. Taxing authorities may not always agree with the positions we have taken. We believe that we have adequate reserves in the event that a taxing authority differs with positions we have taken, however there can be no assurance that our results of operations will not be adversely affected.

- - OUR RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED AS A RESULT OF GOODWILL IMPAIRMENT WRITE-OFFS.

When we acquire a business, we record an asset called "goodwill" if the amount we pay for the business, including liabilities assumed, is in excess of the fair value of the assets of the business we acquire. We adopted

Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and Other Intangible Assets" which establishes new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS No. 142, all goodwill amortization ceased effective October 1, 2001. Goodwill amortization for the years ended September 30, 2002 and 2003 would have otherwise been \$12.9 million (before the impairment charge). Material amounts of recorded goodwill attributable to each of our reporting units were tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value was determined using discounted cash flows, market multiples and market capitalization. These impairment tests are required to be performed at adoption of SFAS No. 142 and at least annually thereafter. Significant estimates used in the methodologies include estimates of future cash flows, future short-term and long-term growth rates, weighted average cost of capital and estimates of market multiples for each of the reportable units. On an ongoing basis (absent any impairment indicators), we expect to perform impairment tests at least annually during the first fiscal quarter of each year.

Based on our impairment tests performed upon adoption of SFAS No. 142, we recognized a charge of \$283.3 million (\$7.11 per share) in the first quarter of 2002 to reduce the carrying value of goodwill of our reporting units to its implied fair value. This impairment is a result of adopting a fair value approach, under SFAS No. 142, to testing impairment of goodwill as compared to the previous method utilized in which evaluations of goodwill impairment were made by us using the estimated future undiscounted cash flows compared to the assets carrying amount. Under SFAS No. 142, the impairment adjustment recognized at adoption of the new rules was reflected as a cumulative effect of change in accounting principle in our first quarter 2003 statement of operations. Impairment adjustments recognized after adoption, if any, generally are required to be recognized as operating expenses. We cannot assure that we will not have future impairment adjustments to our recorded goodwill.

- - OUR OPERATIONS ARE SUBJECT TO NUMEROUS PHYSICAL HAZARDS ASSOCIATED WITH THE CONSTRUCTION OF ELECTRICAL SYSTEMS. IF AN ACCIDENT OCCURS, IT COULD RESULT IN AN ADVERSE EFFECT ON OUR BUSINESS.

Hazards related to our industry include, but are not limited to, electrocutions, fires, mechanical failures or transportation accidents. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and may result in suspension of operations. Our insurance does not cover all types or amounts of liabilities. Our third-party insurance is subject to large deductibles for which we establish reserves and, accordingly, we effectively self-insure for much of our exposures. No assurance can be given either that our insurance or our provisions for incurred claims and incurred but not reported claims will be adequate to cover all losses or liabilities we may incur in our operations or that we will be able to maintain adequate insurance at reasonable rates.

- - THE LOSS OF A GROUP OF KEY PERSONNEL, EITHER AT THE CORPORATE OR OPERATING LEVEL, COULD ADVERSELY AFFECT OUR BUSINESS.

The loss of key personnel or the inability to hire and retain qualified employees could have an adverse effect on our business, financial condition and results of operations. Our operations depend on the continued efforts of our current and future executive officers, senior management and management personnel at the companies we have acquired. A criterion we use in evaluating acquisition candidates is the quality of their management. We cannot guarantee that any member of management at the corporate or subsidiary level will continue in their capacity for any particular period of time. If we lose a group of key personnel, our operations could be adversely affected. We do not maintain key man life insurance.

- - THE LOSS OF PRODUCTIVITY, EITHER AT THE CORPORATE OFFICE OR OPERATING LEVEL, COULD ADVERSELY AFFECT OUR BUSINESS.

Our business is primarily driven by labor. The ability to perform contracts at acceptable margins depends on our ability to deliver substantial labor productivity. We cannot guarantee that productivity will continue at acceptable levels at corporate and our operating subsidiaries for a particular period of time. The loss of productivity could adversely affect the margins on existing contracts or the ability to obtain new contracts.

ITEM 2. PROPERTIES

We operate a fleet of owned and leased service trucks, vans and support vehicles. We believe these vehicles generally are adequate for our current operations.

At September 30, 2003, we maintained branch offices, warehouses, sales facilities and administrative offices at approximately 140 locations. Substantially all of our facilities are leased. We lease our corporate office located in Houston, Texas.

Our properties are generally adequate for our present needs, and we believe that suitable additional or replacement space will be available as required.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various legal proceedings that have arisen in the ordinary course of business. While it is not possible to predict the outcome of these proceedings with certainty and it is possible that the results of legal proceedings may materially adversely affect us, in our opinion, these proceedings are either adequately covered by insurance or, if not so covered, should not ultimately result in any liability which would have a material adverse effect on our financial position, liquidity or results of operations.

No legal proceeding individually rises to the level of materiality, nor do any groups of litigation. The judicial system allows a lawsuit to be filed for reasons or amounts that may bear little or no relationship to the facts. We have been subject to such high damage claim lawsuits. We believe that we have valid defenses and that the damage claimed is not an accurate reflection of any reasonably expected outcome based on the facts we have.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 4A. EXECUTIVE OFFICERS

Herbert "Roddy" Allen, 63, has been Chief Executive Officer and President of the Company since October 2002. From May 2002 to October 2002, Mr. Allen was Chief Operating Officer of the Company. From January 2000 to May 2002, Mr. Allen was Senior Vice President -- Eastern Operations and served as a Regional Operating Officer of the Company from June 1998 to January 2000. Prior to September 2000, Mr. Allen served as the President of H.R. Allen, Inc., one of the Company's subsidiaries.

Richard China, 45, has been Chief Operating Officer of the Company since October 2002. From May 2002 to October 2002, Mr. China was President of IES Communications, Inc. From August 1999 to May 2002, Mr. China served as a Regional Operating Officer of the Company. Prior to August 1999, Mr. China served as the President of Primo Electric Company, Inc., one of the Company's subsidiaries.

William W. Reynolds, 45, has been the Chief Financial Officer and Executive Vice President of the Company since June 2000. Mr. Reynolds joined IES after having served as Vice President and Treasurer of Peoples Energy Corporation in Chicago, Illinois from 1998 to 2000. Prior to his appointment with Peoples Energy Corporation, Mr. Reynolds was Vice President and Project Finance Corporate Officer for MCN Energy Group, Inc. in Detroit, Michigan from 1997 to 1998. Prior to 1997, Mr. Reynolds spent seventeen years with BP Amoco Corporation serving in a variety of positions both internationally and domestically.

Britton L. Rice, 55, has been the Chief Technology and Procurement Officer and Senior Vice President of the Company since 2000. Mr. Rice also serves as the President of Britt Rice Electric, L.P., one of the Company's subsidiaries.

Margery Harris, 43, has been the Senior Vice President of Human Resources of the Company since October 2000. From 1995 to 2000, Ms. Harris was employed by Santa Fe Snyder Corporation, a large global independent exploration and production company, serving most recently as Vice President of Human Resources. Prior to that Ms. Harris was a lead consultant with Hewitt Associates, a premier total compensation consulting firm.

Curt L. Warnock, 48, has been Vice President, Law of the Company since October 2002. From July 2001 to October 2002, Mr. Warnock served as Assistant General Counsel of the Company. Prior to July 2001, Mr. Warnock spent sixteen years with Burlington Resources Inc., a large independent NYSE oil and gas company, serving in various positions. Prior to that, Mr. Warnock served as in-house counsel to Pogo Producing Company, a NYSE oil and gas company; before that, he was in private practice. Mr. Warnock is licensed in Texas and before the Fifth Circuit and before the United States Supreme Court.

David A. Miller, 33, has been Vice President and Chief Accounting Officer of the Company since October 2002. Between January 1998 and October 2002, Mr. Miller held the positions of Financial Reporting Manager, Assistant Controller, Controller and Chief Accounting Officer with the Company. Prior to January 1998, Mr. Miller held various positions in public accounting and private industry. Mr. Miller is a Certified Public Accountant.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock trades on the NYSE under the symbol "IES." The following table presents the quarterly high and low sales prices for the Company's Common Stock on the NYSE since October 2001.

HIGH	LOW	FISCAL YEAR ENDED SEPTEMBER 30,	
		2002 First	
Quarter.....		5.59	3.07 Second
Quarter.....		6.50	3.94 Third
Quarter.....		6.49	4.60 Fourth
Quarter.....		6.46	3.37 FISCAL YEAR ENDED SEPTEMBER 30, 2003 First
Quarter.....		4.28	3.10 Second
Quarter.....		4.50	3.50 Third
Quarter.....		7.60	4.23 Fourth
Quarter.....		7.76	5.76

As of November 20, 2003, the market price of the Company's Common Stock was \$7.25 per share and there were approximately 1,440 holders of record.

We do not anticipate paying cash dividends on our common stock in the foreseeable future. We expect that we will utilize all available earnings generated by our operations for the development and growth of our business, as well as to retire some of our outstanding debt and common stock. Any future determination as to the payment of dividends will be made at the discretion of our Board of Directors and will depend upon the Company's operating results, financial condition, capital requirements, general business conditions and such other factors as the Board of Directors deems relevant. Our debt instruments restrict us from paying cash dividends on the common stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated historical financial information for IES should be read in conjunction with the audited historical consolidated financial statements of Integrated Electrical Services, Inc. and subsidiaries and the notes thereto included in Item 8, "Financial Statements and Supplementary Data."

YEAR ENDED SEPTEMBER 30, -----	-----	-----	-----	-----	-----
---	1999	2000	2001	2002	2003
(IN THOUSANDS, EXCEPT SHARE INFORMATION AND RATIOS) STATEMENT OF OPERATIONS DATA:					
Revenues.....	\$1,035,888	\$1,672,288	\$1,693,213		
Cost of services.....	\$1,475,430	\$1,448,553			
Gross profit.....	816,715	1,372,537	1,385,589	1,253,844	
Selling, general and administrative expenses.....	113,871	221,519	214,073	174,184	153,651
Restructuring charges.....					
Goodwill amortization.....	5,556	--			
Income from operations.....	65,021	80,568	41,846	53,572	95,997
Interest and other expense, net.....	(22,222)	(26,187)	(25,738)	(24,963)	
Income before income taxes and cumulative effect of change in accounting principle.....	83,455	42,799	54,381	16,108	28,609
Provision for income taxes.....	25,671	6,175	8,179		
Cumulative effect of change in accounting principle, net of tax.....	--	--	--	283,284	
Net income (loss).....	\$ 21,156	\$ 28,710	\$ (273,351)	\$ 20,430	\$ 48,107
Diluted earnings per share before cumulative effect of change in accounting principle:.....	\$ 1.39	\$ 0.52	\$ 0.70	\$ 0.25	\$ 0.52
Diluted earnings (loss) per share:.....	\$ 0.70	\$ (6.86)	\$ 0.52		
Ratio of earnings to fixed charges (1).....	2.8	1.5	2.0		

AS OF SEPTEMBER 30, -----	-----	-----	-----	-----	-----
-----	1999	2000	2001	2002	2003
(IN THOUSANDS)					
BALANCE SHEET DATA: Cash and cash equivalents.....	\$ 2,931	\$ 770	\$ 3,475	\$ 32,779	
Working capital.....	175,572	91,643	236,629	244,214	
Total.....	266,411				

assets.....				
	858,492	1,019,990	1,033,503	721,639
			726,174	Total
debt.....				
	229,544	245,065	288,551	248,959
			248,336	Total stockholders'
equity.....			467,166	
	507,749	528,644	254,432	267,557

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(1) The ratio of earnings to fixed charges is calculated by dividing the fixed charges into net income before taxes plus fixed charges. Fixed charges consist of interest expense, amortization of offering discounts on debt, amortization of debt issuance costs and the estimated interest component of rent expense.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere in the Form 10-K. See "Disclosure Regarding Forward-Looking Statements."

GENERAL

Our electrical contracting business is operated in two segments: (1) commercial and industrial and (2) residential. See Note 10 of "Notes to Consolidated Financial Statements" for a description of these reportable segments.

In response to the SEC's Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," we have identified the accounting principles which we believe are most critical to our reported financial status by considering accounting policies that involve the most complex or subjective decisions or assessments. We identified our most critical accounting policies to be those related to revenue recognition, the assessment of goodwill impairment, our allowance for doubtful accounts receivable, the recording of our self-insurance liabilities and our estimation of the valuation allowance for deferred tax assets. These accounting policies, as well as others, are described in the Note 2 of "Notes to Consolidated Financial Statements."

We enter into contracts principally on the basis of competitive bids. We frequently negotiate the final terms and prices of those contracts with the customer. Although the terms of our contracts vary considerably, most are made on either a fixed price or unit price basis in which we agree to do the work for a fixed amount for the entire project (fixed price) or for units of work performed (unit price). We also perform services on a cost-plus or time and materials basis. We are generally able to achieve higher margins on fixed price and unit price than on cost-plus contracts. We currently generate, and expect to continue to generate, more than half of our revenues under fixed price contracts. Our most significant cost drivers are the cost of labor, the cost of materials and the cost of casualty and health insurance. These costs may vary from the costs we originally estimated. Variations from estimated contract costs along with other risks inherent in performing fixed price and unit price contracts may result in actual revenue and gross profits for a project differing from those we originally estimated and could result in losses on projects. Depending on the size of a particular project, variations from estimated project costs could have a significant impact on our operating results for any fiscal quarter or year. We believe our exposure to losses on fixed price contracts is limited in aggregate by the high volume and relatively short duration of the fixed price contracts we undertake. Additionally, we derive a significant amount of our revenues from new construction and from the southern part of the United States. Downturns in new construction activity or in construction in the southern United States could affect our results.

We complete most projects within one year. We frequently provide service and maintenance work under open-ended, unit price master service agreements which are renewable annually. We recognize revenue on service and time and material work when services are performed. Work performed under a construction contract generally provides that the customers accept completion of progress to date and compensate us for services rendered measured in terms of units installed, hours expended or some other measure of progress. Revenues from construction contracts are recognized on the percentage-of-completion method in accordance with the American Institute of Certified Public Accountants Statement of Position 81-1 "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Percentage-of-completion for construction contracts is measured principally by the percentage of costs incurred and accrued to date for each contract to the estimated total costs for each contract at completion. We generally consider contracts to be substantially complete upon departure from the work site and acceptance by the customer. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Changes in job performance, job conditions, estimated contract costs and profitability and final contract settlements may result in revisions to costs and income and the effects of these revisions are recognized in the period in which the revisions are determined. Provisions for total estimated losses on uncompleted contracts are made in the period in which such losses are determined.

We evaluate goodwill for potential impairment in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." Included in this evaluation are certain assumptions and estimates to determine the fair values of reporting units such as estimates of future cash flows, discount rates, as well as assumptions and estimates related to the valuation of other identified intangible assets. Changes in these assumptions and estimates or significant changes to the market value of our common stock could materially impact our results of operations or financial position.

We provide an allowance for doubtful accounts for unknown collection issues in addition to reserves for specific accounts receivable where collection is considered doubtful. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates including, among others, our customers' access to capital, our customers' willingness to pay, general economic conditions and the ongoing relationships with our customers.

We are insured for workers' compensation, automobile liability, general liability and employee-related health care claims, subject to large deductibles. Our general liability program provides coverage for bodily injury and property damage neither expected nor intended. Losses up to the deductible amounts are accrued based upon our estimates of the liability for claims incurred and an estimate of claims incurred but not reported. The accruals are derived from actuarial studies, known facts, historical trends and industry averages utilizing the assistance of an actuary to determine the best estimate of the ultimate expected loss. We believe such accruals to be adequate. However, insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties, the number of incidents not reported and the effectiveness of our safety program. Therefore, if actual experience differs from than the assumptions used in the actuarial valuation, adjustments to the reserve may be required and would be recorded in the period that the experience becomes known.

We regularly evaluate valuation allowances established for deferred tax assets for which future realization is uncertain. We perform this evaluation at least annually at the end of each fiscal year. The estimation of required valuation allowances includes estimates of future taxable income. In assessing the realizability of deferred tax assets at September 30, 2003, we considered whether it was more likely than not that some portion or all of the deferred tax assets would not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. If actual future taxable income differs from our estimates, our results could be affected.

RESULTS OF OPERATIONS

The following table presents selected historical results of operations of IES and subsidiaries with dollar amounts in thousands. These historical statements of operations include the results of operations for businesses acquired through purchases beginning on their respective dates of acquisition.

YEAR ENDED SEPTEMBER 30, -----	-----	-----	-----	-----
-----	2001	2002	2003	---
-----	-----	-----	-----	-----
-----	(IN THOUSANDS)	-----	-----	-----
Revenues.....	\$1,693,213	100%	\$1,475,430	100%
\$1,448,553	100%	Cost of		
services.....	1,385,589	82	1,253,844	85
1,241,330	86			
				Gross
profit.....	307,624	18	221,586	15
Selling, general and			207,223	14
administrative				
expenses.....	214,073	12	174,184	12
Restructuring			153,651	10
charges.....	--	--	5,556	
--	--	--	Goodwill	
amortization.....			12,983	
1				
				Income
from operations.....	80,568	5	41,846	3
Interest and other expense,			53,572	4
net....	(26,187)	(2)	(25,738)	(2)
(24,963)	(2)			
				Income
before income taxes and cumulative				
effect of change in accounting				
principle.....	54,381	3		
16,108	1	28,609	2	Provision for
				income taxes.....
6,175	-	8,179	1	25,671
				1
Cumulative effect				
of change in accounting principle,				
net of				
tax.....	283,284	19		
--	--	--		
Net income				
(loss).....	\$ 28,710			
2% \$ (273,351)	(18)%	\$ 20,430	1%	
=====	===	=====	===	
=====	===			

YEAR ENDED SEPTEMBER 30, 2003 COMPARED TO YEAR ENDED SEPTEMBER 30, 2002

REVENUES

YEAR ENDED SEPTEMBER 30, -----	-----	-----	-----	-----
-----	2002	2003	2003	-----
-----	-----	-----	-----	-----
-----	Commercial and	-----	-----	-----
Industrial.....	81%	81%	(2)%	
Residential.....				
19%	19%	(2)%	--	--
			--	--
Total				
Company.....	100%	(2)%	===	===
			==	==

Revenues decreased \$26.8 million, or 2%, from \$1,475.4 million for the year ended September 30, 2002 to \$1,448.6 million for the year ended September 30, 2003. The decrease in total revenues is the result of \$41.6 million in lost revenues on divested or closed companies that were included in revenues for the year ended September 30, 2002, but not during the year ended September 30, 2003. These lost revenues were partially offset by \$32.2 million of revenues from an acquisition during the year ended September 30, 2003. The decline in commercial and industrial revenues is attributable to \$29.4 million decline in

communications work due to market contractions, particularly in California, Colorado, Washington, D.C. and Virginia. The decrease in residential revenues is attributable to a \$36.9 million decline in multi-family residential construction projects, primarily in Colorado and Maryland, offset by a \$31.0 million increase in single-family construction spending. We believe record low interest rates during the last 12-18 months is driving demand for new homes, leading to record levels of single-family residential construction spending. As families move into their new single-family homes, the demand for multi-family housing has dropped.

GROSS MARGIN

SEGMENT GROSS MARGINS AS A PERCENTAGE OF TOTAL REVENUES -	
----- 2002	2003 -----
----- Year Ended September	
30, Commercial and	
Industrial.....	13% 13%
Residential.....	22% 21%
-- -- Total	
Company.....	15%
	14% == ==

Gross profit decreased \$14.4 million, or 7% from \$221.6 million for the year ended September 30, 2002 to \$207.2 million for the year ended September 30, 2003. The decline in commercial and industrial gross profit was due to lower revenues earned year over year as discussed and due to a shift in the type of commercial and industrial work performed during the year ended September 30, 2003. The related service and maintenance work for commercial and industrial customers, which tends to earn higher gross margins than fixed price contracts, declined \$6.0 million in gross profit during the year. This decline was moderated by a \$87.1 million increase in larger project work awarded during the year, particularly industrial contracts in excess of \$1 million. These larger projects produce gross profits but tend to earn lower gross margins as a percentage of revenue due to the competitive bidding procedures in place to be awarded this type of work. The shift of project work from small projects such as the service and maintenance work to larger projects in excess of \$1 million impacted gross profits by approximately \$9.2 million.

Overall gross margin as a percentage of revenues decreased approximately 1% from 15% for the year ended September 30, 2002 to 14% for the year ended September 30, 2003. Had we earned last year's gross margin of 15%, gross profit for the year ended September 30, 2003 would have been \$217.3 million, an increase of \$10.1 million. The decline in gross margin during the year ended September 30, 2003 was due to the shift in type of commercial and industrial work performed and due to the increased competition for available residential work. We believe record low interest rates during the last 12-18 months is driving demand for new homes, leading to record levels of single-family residential construction spending. This increased demand for residential construction has increased pricing pressure for available work, particularly affecting our operating units that perform limited amounts of residential work in addition to their commercial and industrial contract expertise.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses decreased \$20.5 million, or 12%, from \$174.2 million for the year ended September 30, 2002 to \$153.7 million for the year ended September 30, 2003. This decline is due to the organizational restructuring that occurred during the year ended September 30, 2002. In the last 12 months, we have combined administrative offices and functions, leading to a decline in operating locations from approximately 150 locations to approximately 140 locations. We also divested or closed non-performing companies, which decreased our selling, general and administrative cost structure by approximately \$7.9 million. Finally, we streamlined our administrative cost structure, yielding savings of \$14.3 million in salaries and benefits. As a result of these changes, selling, general and administrative expenses as a percent of revenue decreased 2% from 12% for the year ended September 30, 2002 to 10% for the year ended September 30, 2003.

RESTRUCTURING CHARGES

In October 2001 we began implementation of a workforce reduction program. The purpose of this program was to cut costs by reducing the number of administrative staff both in the field and at the home office. The total number of terminated employees was approximately 450. As a result of the program implementation, we recorded pre-tax restructuring charges of \$5.6 million associated with 45 employees during the year ended September 30, 2002 and presented these charges as a separate component of our results of operations for the period then ended. No restructuring charges were incurred for the year ended September 30, 2003. The charges were based on the costs of the workforce reduction program and include severance and other special termination

benefits. We believe the reduction of these personnel resulted in annual savings of approximately \$4.1 million in salaries and benefits. At September 30, 2002, approximately \$2.0 million of these charges that related to five individuals had not been paid and were included in accounts payable and accrued expenses. At September 30, 2003, approximately \$1.3 million of these charges that relate to three individuals have not been paid and are included in accounts payable and accrued expenses. We anticipate making the remaining payments accrued under this restructuring during the year ended September 30, 2004.

INCOME FROM OPERATIONS

Income from operations increased \$11.8 million, or 28%, from \$41.8 million for the year ended September 30, 2002 to \$53.6 million for the year ended September 30, 2003. As a percentage of revenues, income from operations increased from 3% for the year ended September 30, 2002 to 4% for the year ended September 30, 2003. This increase in income from operations was primarily attributed to \$5.6 million in restructuring charges recorded during the year ended September 30, 2002, and a \$20.5 million decrease selling, general and administrative expenses year over year, offset by a \$14.4 million decline in gross profits earned during the year ended September 30, 2003.

INTEREST AND OTHER EXPENSE, NET

Interest and other expense, net decreased \$0.7 million, or 3%, from \$25.7 million in 2002 to \$25.0 million in 2003. The decrease was primarily the result of a \$1.0 million decrease in interest expense during the year ended September 30, 2003 due to a lower amount of average debt outstanding during the year ended September 30, 2003 compared to the year ended September 30, 2002. Other expense, net included a \$0.4 million gain from the sale of certain subsidiaries. This was a decrease from last year's other expense, net, which included \$1.0 million gain resulting from the retirement of \$27.1 million of our 9 3/8% senior subordinated notes due February 1, 2009 in the last quarter of the year ended September 30, 2002, a \$1.5 million net gain resulting from the sale of certain subsidiaries and offset by a \$0.6 million loss recorded on our investment in Energy Photovoltaics, Inc. and losses on sales of assets of \$0.9 million.

PROVISION FOR INCOME TAXES

Our effective tax rate decreased from 38% for the year ended September 30, 2002 to 29% for the year ended September 30, 2003. This decrease is attributable to the release of \$2.8 million of tax effected valuation allowances that were included in income during the year ended September 30, 2003. We released these valuation allowances because we believe that we will now realize a portion of the deferred tax assets for which they were established. Without the impact of these valuation allowance releases, our effective tax rate for the year ended September 30, 2003 was 38.5%.

YEAR ENDED SEPTEMBER 30, 2002 COMPARED TO YEAR ENDED SEPTEMBER 30, 2001

REVENUES

YEAR ENDED SEPTEMBER 30, -----	PERCENT OF TOTAL PERCENTAGE REVENUES GROWTH/DECLINE -----
----- 2001 2002 2002 -----	-----
-- Commercial and	
Industrial.....	85% 81% (17)%
Residential.....	
15% 19% 10% --- --- --- Total	
Company.....	100%
100% (13)% === === ===	

Revenues decreased \$217.8 million, or 13%, from \$1,693.2 million for the year ended September 30, 2001 to \$1,475.4 million for the year ended September 30, 2002. The decrease in commercial and industrial revenues was primarily the result of \$71.3 million in non-recurring work performed for one customer during the year ended September 30, 2001, a \$58.8 million decrease in revenues from communications work due to market

contractions, particularly in California, Colorado and Arizona. We also experienced a decrease in commercial and industrial revenues, which we attribute to increased competition for available work during the year ended September 30, 2002. This decline most significantly impacted our operations in Georgia, North Carolina and Virginia, where revenues decreased \$76.4 million during the year ended September 30, 2002.

GROSS MARGIN

SEGMENT GROSS MARGINS AS A PERCENTAGE OF TOTAL REVENUES -

	2001	2002	-----		Year Ended September
			-----		30, Commercial and
Industrial.....	17%	13%			
Residential.....					
	23%	22%	--	--	Total
Company.....					18%
	15%	==	==		

Gross profit decreased \$86.0 million, or 28% from \$307.6 million for the year ended September 30, 2001 to \$221.6 million for the year ended September 30, 2002. The overall decrease in gross profit was due to decreased gross profits of \$39.2 million associated with the \$217.8 million decline in revenues earned during the year ended September 30, 2002 compared to the year ended September 30, 2001. Commercial and industrial gross profit was also decreased by \$8.9 million associated with companies divested during the year ended September 30, 2002, a \$23.7 million decline in gross profits earned on communications work due to a decline in work performed and lower margins earned on that work due to the decrease in market demand, and \$6.1 million in additional funding for our insurance reserves.

Overall gross margin as a percentage of revenues decreased approximately 3% from 18% for the year ended September 30, 2001 to 15% for the year ended September 30, 2002. Had we earned the 2001 gross margin of 18%, gross profit for the year ended September 30, 2002 would have been \$265.6 million, an increase of \$44.0 million. The decline in gross margin as a percentage of revenues was the result of increased competition due to decreased construction spending during the year ended September 30, 2002, a 25% decrease on gross margins earned on communications work due to a decrease in market demand and \$6.1 million in additional funding for our self-insurance reserves.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses decreased \$39.9 million, or 19%, from \$214.1 million for the year ended September 30, 2001 to \$174.2 million for the year ended September 30, 2002. Selling, general and administrative expenses as a percent of revenue remained the same at 12% for 2001 and 2002. The decrease in the dollar amount of selling, general and administrative expenses was primarily the result of the termination of certain administrative field and home office personnel during the year ended September 30, 2002. Overall administrative personnel headcount declined by approximately 800 employees during the year ended September 30, 2002, which led to a decrease of approximately \$39.0 million in salaries and benefits expenses for such personnel.

RESTRUCTURING CHARGES

In October 2001 we began implementation of a workforce reduction program. The purpose of this program was to cut costs by reducing the number of administrative staff both in the field and at the home office. The total number of terminated employees was approximately 450. As a result of the program implementation, we recorded pre-tax restructuring charges of \$5.6 million associated with 45 employees during the year ended September 30, 2002 and presented these charges as a separate component of our results of operations for the period then ended. The charges were based on the costs of the workforce reduction program and include severance and other special termination benefits. We believe the reduction of these personnel resulted in annual savings of approximately \$4.1 million in salaries and benefits. At September 30, 2002, approximately

\$2.0 million of these charges that related to five individuals had not been paid and were included in accounts payable and accrued expenses.

INCOME FROM OPERATIONS

Income from operations decreased \$38.8 million, or 48%, from \$80.6 million for the year ended September 30, 2001 to \$41.8 million for the year ended September 30, 2002. As a percentage of revenues, income from operations decreased from 5% for the year ended September 30, 2001 to 3% for the year ended September 30, 2002. This decrease in income from operations was primarily attributed to a \$217.8 million decrease in revenues year over year, a 3% decline in margins earned on those revenues, funding for insurance reserves and restructuring charges of \$5.6 million incurred during the year ended September 30, 2002, partially offset by a \$39.9 million decrease in selling, general and administrative expenses and non-recurring goodwill amortization of \$12.9 million incurred during the year ended September 30, 2001 in accordance with the current accounting standard.

INTEREST AND OTHER EXPENSE, NET

Interest and other expense, net decreased \$0.5 million, or 2%, from \$26.2 million in 2001 to \$25.7 million in 2002. The decrease was primarily the result of a \$1.0 million gain resulting from the retirement of \$27.1 million of our 9 3/8% senior subordinated notes due February 1, 2009 in the last quarter of the year ended September 30, 2002, a \$1.5 million net gain resulting from the sale of certain subsidiaries and offset by a \$0.6 million loss recorded on our investment in Energy Photovoltaics, Inc. and losses on sales of assets of \$0.9 million. These amounts were offset by increased interest expenses associated with decreased average borrowings during the year ended September 30, 2002 as compared to the year ended September 30, 2001.

PROVISION FOR INCOME TAXES

Our effective tax rate decreased from 47% for the year ended September 30, 2001 to 38% for the year ended September 30, 2002. The effective tax rate for the year ended September 30, 2001 included a provision for non-deductible goodwill amortization expense while the effective tax rate for the year ended September 30, 2002 includes the effect of the projected utilization of certain net operating loss carryforwards.

COST DRIVERS

As a service business, our cost structure is highly variable. Our primary costs include labor, materials and insurance. Approximately 40% of our costs are derived from labor and related expenses. For the years ended September 30, 2001, 2002 and 2003, our labor-related expenses totaled \$610.6 million, \$568.0 million and \$553.5 million, respectively. As of September 30, 2003, we had approximately 13,000 employees. Approximately 11,000 employees were field electricians, the number of which fluctuates depending upon the number and size of the projects undertaken by us at any particular time. Approximately 2,000 employees were project managers, job superintendents and administrative and management personnel, including executive officers, estimators or engineers, office staff and clerical personnel. We provide a health, welfare and benefit plan for all employees subject to eligibility requirements. We have a 401(k) plan pursuant to which eligible employees may make contributions through a payroll deduction. We make matching cash contributions of 25% of each employee's contribution up to 6% of that employee's salary. We also have an employee stock purchase plan that provides that eligible employees may contribute up to 100% of their cash compensation, up to \$21,250 annually, toward the annual purchase of our common stock at a discounted price. Over 750 of our employees participated in the employee stock purchase plan during the year ended September 30, 2003.

Approximately 40% of our costs incurred are for materials installed on projects. This component of our expense structure is variable based on the demand for our services. We generally incur costs for materials once we begin work on a project. We generally order materials when needed, ship them directly to the jobsite and install them within 30 days. Materials consist of commodity-based items such as conduit, wire and fuses as well as specialty items such as fixtures, switchgear and control panels. For the years ended September 30, 2001, 2002

and 2003, our materials expenses (net of rebates received) totaled \$592.1 million, \$531.5 million and \$542.0 million, respectively.

We are insured for workers' compensation, employer's liability, auto liability, general liability and health insurance, subject to large deductibles. Losses up to the deductible amounts are accrued based upon actuarial studies and our estimates of the ultimate liability for claims incurred and an estimate of claims incurred but not reported. The accruals are based upon known facts and historical trends and management believes such accruals to be adequate. Expenses for claims administration, claims funding and reserves funding totaled \$39.9 million, \$49.3 million and \$40.8 million for the years ended September 30, 2001, 2002 and 2003, respectively.

WORKING CAPITAL

SEPTEMBER 30, -----	2002	2003	-----
---- (IN THOUSANDS, EXCEPT FOR RATIOS) CURRENT ASSETS:			
Cash and cash			
equivalents.....	\$ 32,779	\$	
40,201 Accounts receivable: Trade, net of allowance of	\$6,262	and \$5,425	
respectively.....	237,310	245,618	
Retainage.....	62,482	68,789	Related
party.....	153	67	
Costs and estimated earnings in excess of billings on			
uncompleted contracts.....	46,314	48,256	
Inventories.....	23,651	20,473	Prepaid expenses and other current
assets.....	35,041	23,319	-----
Total current assets.....	\$437,730	\$446,723	-----
----- CURRENT LIABILITIES:			
Current maturities of long-term			
debt.....	\$ 570	\$ 256	Accounts payable
and accrued expenses.....	141,398	138,143	
Billings in excess of costs and estimated earnings on			
uncompleted contracts.....	51,548	41,913	-----
liabilities.....	\$193,516	\$180,312	Total current
	-----	-----	Working
capital.....	\$244,214	\$266,411	=====

Total current assets increased \$9.0 million, or 2%, from \$437.7 million for the year ended September 30, 2002 to \$446.7 million for the year ended September 30, 2003. This increase is primarily the result of a \$7.4 million increase in cash and cash equivalents due to \$39.3 million in cash provided by operations during the year ended September 30, 2003 offset by \$7.9 million in cash used in investing activities and \$24.0 million used in financing activities. See "Liquidity and Capital Resources" below for further information. Current assets were further increased by an \$8.3 million increase in trade accounts receivable, net due to the timing of collections, a \$6.3 million increase in retainage due to the timing of retention billings and a \$1.9 million increase in costs and estimated earnings in excess of billings on uncompleted contracts due to the timing of billings on projects in progress. Current assets were reduced by an \$11.7 million decrease in prepaids and other current assets due to an \$8.6 million decrease in short term deferred tax assets due to the recognition of deferred tax assets existing at September 30, 2002 and a \$3.1 million decrease in other prepaid expenses due to the amortization of prepaid expenses outstanding as of September 30, 2002. Current assets were further reduced by a \$3.2 million decrease in inventories due to the installation of purchased materials at September 30, 2002 for certain projects in progress during the year ended September 30, 2003.

Total current liabilities decreased \$13.2 million, or 7%, from \$193.5 million for the year ended September 30, 2002 to \$180.3 million for the year ended September 30, 2003. This decrease is primarily the result of a \$9.6 million decrease in billings in excess of costs and estimated earnings on uncompleted projects due to the

timing of billings on projects in progress, a \$3.3 million decrease in accounts payable and accrued expenses due to the timing of payments made and a \$0.3 million decrease in current maturities of long-term debt due to payments made on short-term debt.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2003, we had cash and cash equivalents of \$40.2 million, working capital of \$266.4 million, no borrowings under our credit facility, \$247.9 million outstanding of senior subordinated notes, \$27.4 million of letters of credit outstanding and available borrowing capacity under our credit facility of \$97.6 million.

During the year ended September 30, 2003, we generated \$39.3 million of net cash from operating activities. This net cash from operating activities was comprised of net income of \$20.4 million, increased by \$18.6 million of non-cash charges and \$8.2 million of deferred income taxes and decreased by \$7.9 million in working capital changes. Non-cash charges included depreciation and amortization expense, provision for allowance for doubtful accounts, changes in deferred income taxes and losses on sales of property and equipment. Working capital changes consisted of a \$13.1 million decrease in billings in excess of costs and estimated earnings on uncompleted projects and a \$1.5 million increase in cost and estimated earnings in excess of billings on uncompleted contracts. These working capital changes were offset by a \$3.0 million decrease in inventory and a \$2.6 million decrease in payables offset by a \$2.7 million decrease in receivables as a result of the timing of collections, with the balance of the change due to other working capital changes. Net cash used in investing activities was \$7.9 million, including \$8.7 million used for capital expenditures and \$2.7 million used for the acquisition of a business, net of cash acquired, offset by \$3.5 million provided from divestitures and other. Net cash used by financing activities was \$24.0 million, resulting primarily from \$16.3 in repayments of debt and the repurchase of the senior subordinated notes and \$10.2 million for the acquisition of treasury stock.

During the year ended September 30, 2003, we completed a 2 million share repurchase program. We used approximately \$10.2 million in cash generated from operations to repurchase shares during the year ended September 30, 2003.

On November 5, 2003, we commenced a \$13 million share repurchase plan which we expect to complete primarily through open market purchases during the year ended September 30, 2004. We expect to fund this program with existing cash and cash flow from operations.

On May 27, 2003, we amended our \$150.0 million revolving credit facility to a \$125.0 million revolving credit facility with a syndicate of lending institutions to be used for working capital, capital expenditure, acquisitions and other corporate purposes that matures May 22, 2006, as amended. Amounts borrowed under the credit facility bear interest at an annual rate equal to either (a) the London interbank offered rate (LIBOR) plus 1.75 percent to 3.50 percent, as determined by the ratio of our total funded debt to EBITDA (as defined in the credit facility) or (b) the higher of (i) the bank's prime rate or (ii) the Federal funds rate plus 0.50 percent plus an additional 0.25 percent to 2.00 percent, as determined by the ratio of our total funded debt to EBITDA. Commitment fees of 0.375 percent to 0.50 percent are assessed on any unused borrowing capacity under the credit facility. Our existing and future subsidiaries guarantee the repayment of all amounts due under the facility, and the facility is secured by the capital stock of those subsidiaries and the accounts receivable of the company and those subsidiaries. Borrowings under the credit facility are limited to 66 2/3% of outstanding receivables (as defined in the agreement). The credit facility requires the consent of the lenders for acquisitions exceeding a certain level of cash consideration, prohibits the payment of cash dividends on the common stock, restricts our ability to repurchase shares of common stock or to retire senior subordinated notes, restricts our ability to incur other indebtedness and requires us to comply with various affirmative and negative covenants including certain financial covenants, some of which become more restrictive over time. Among other restrictions, the financial covenants include a minimum net worth requirement, a maximum total consolidated funded debt to EBITDA ratio, a maximum senior consolidated debt to EBITDA ratio and a minimum interest coverage ratio. For more information regarding the covenants to our credit facility, as amended, see our filing on Form 8-K dated May 28, 2003. We were in compliance with the financial covenants of our credit facility, as amended, at September 30, 2003. As of November 24, 2003, we had no outstanding borrowings on our credit facility.

On January 25, 1999 and May 29, 2001, we completed our offerings of \$150.0 million and \$125.0 million senior subordinated notes, respectively. The offering completed on May 29, 2001 yielded \$117.0 million in proceeds, net of a \$4.2 million discount and \$3.9 million in offering costs. The proceeds from the May 29, 2001 offering were used primarily to repay amounts outstanding under our credit facility. The notes bear interest at 9 3/8% and will mature on February 1, 2009. We pay interest on the notes on February 1 and August 1 of each year. The notes are unsecured senior subordinated obligations and are subordinated to all of our existing and future senior indebtedness. The notes are guaranteed on a senior subordinated basis by all of our subsidiaries. Under the terms of the notes, we are required to comply with various affirmative and negative covenants including (1) restrictions on additional indebtedness, and (2) restrictions on liens, guarantees and dividends. During the year ended September 30, 2002, we retired approximately \$27.1 million of these senior subordinated notes. In connection with these transactions, we recorded a gain of \$1.0 million. This gain is recorded in interest and other expense, net during the year ended September 30, 2002 in accordance with SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which we adopted July 1, 2002. At September 30, 2003, we had \$247.9 million in outstanding senior subordinated notes.

In August 2001 we entered into an interest rate swap contract that had a notional amount of \$100.0 million and was established to manage the interest rate risk of the senior subordinated note obligations. We terminated this contract in February 2002. We received cash equal to the fair value of this derivative of \$1.5 million, which is being amortized over the remaining life of the bonds.

In February 2002 we entered into a new interest rate swap contract that had a notional amount of \$100.0 million and was established to manage the interest rate risk of the senior subordinated note obligations. We terminated this contract in August 2002. We received cash equal to the fair value of this derivative of \$2.5 million, which is being amortized over the remaining life of the bonds. At September 30, 2002 and 2003 we had no outstanding interest rate swap contracts.

Effective October 1, 2001, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS No. 142, all goodwill amortization ceased effective October 1, 2001. Goodwill amortization for the years ended September 30, 2002 and 2003 would have otherwise been \$12.9 million (before the impairment charge). Goodwill attributable to each of our reporting units was tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value was determined using discounted cash flows, market multiples and market capitalization. These impairment tests are required to be performed at adoption of SFAS No. 142 and at least annually thereafter. Significant estimates used in the methodologies include estimates of future cash flows, future short-term and long-term growth rates, weighted average cost of capital and estimates of market multiples for each of the reportable units. On an ongoing basis (absent any impairment indicators), we expect to perform our impairment tests annually during the first fiscal quarter.

Based on our impairment tests performed upon adoption of SFAS No. 142, we recognized a charge of \$283.3 million (\$7.11 per share) in the first quarter of 2002 to reduce the carrying value of goodwill of our reporting units to its implied fair value. This impairment is a result of adopting a fair value approach, under SFAS No. 142, to testing impairment of goodwill as compared to the previous method utilized in which evaluations of goodwill impairment were made using the estimated future undiscounted cash flows compared to the assets carrying amount.

The impairment was the result of lower forecasted future operating income at the point of adoption than we anticipated to result from decreased spending in the construction industry in all of our markets. The impairment related to our operating regions follows (amounts in millions):

Southeast.....	\$ 89.2
Northeast.....	35.2
Gulf Plains.....	47.4
Central.....	80.8
West.....	21.0
Residential.....	2.6
Divested after adoption.....	7.1

Total.....	\$283.3
	=====

Under SFAS No. 142, the impairment adjustment recognized at adoption of the new rules was reflected as a cumulative effect of change in accounting principle in the statement of operations for the year ended September 30, 2002. Impairment adjustments recognized after adoption, if any, generally are required to be recognized as operating expenses.

On February 27, 2003 we acquired substantially all of the operating assets of Riviera Electric LLC ("Riviera") out of a bankruptcy auction of a prior competitor. Riviera provides electrical contracting services in the state of Colorado. The purchase price consisted of approximately \$2.7 million of cash, net of cash acquired. The cash used in this acquisition was funded by operations.

In December 2000, we made an investment in Energy Photovoltaics, Inc. (EPV), based in Lawrenceville, New Jersey. EPV is a privately held developer and provider of proprietary thin film processes and equipment for manufacturing photovoltaic modules to provide solar energy. At September 30, 2003, we had a carrying value of our under 20% interest in EPV of \$3.6 million and a \$1.8 million debt investment in EPV. We performed a discounted cash flow analysis at September 30, 2003 and determined that no impairment to this investment existed. This investment involves certain risks involving demand for photovoltaic services. If EPV is unable to deliver on its business plan, we could deem this investment impaired and would record a charge to other expense in the period such impairment, if any, is determined.

All of our operating income and cash flows are generated by our wholly owned subsidiaries, which are the subsidiary guarantors of our outstanding 9 3/8% Senior Subordinated Notes due 2009 (the "Senior Subordinated Notes"). We are structured as a holding company and substantially all of our assets and operations are held by our subsidiaries. There are currently no significant restrictions on our ability to obtain funds from our subsidiaries by dividend or loan. The parent holding company's independent assets, revenues, income before taxes and operating cash flows are less than 3% of the consolidated total. The separate financial statements of the subsidiary guarantors are not included herein because (i) the subsidiary guarantors are all of the direct and indirect subsidiaries of the company; (ii) the subsidiary guarantors have fully and unconditionally, jointly and severally guaranteed the Senior Subordinated Notes; and (iii) the aggregate assets, liabilities, earnings, and equity of the subsidiary guarantors is substantially equivalent to the assets, liabilities, earnings and equity of the company on a consolidated basis. As a result, the presentation of separate financial statements and other disclosures concerning the subsidiary guarantors is not deemed material.

OTHER COMMITMENTS

As is common in our industry, we have entered into certain off balance sheet arrangements that expose us to increased risk. Our significant off balance sheet transactions include commitments associated with noncancelable operating leases, letter of credit obligations and surety guarantees.

We enter into noncancelable operating leases for many of our vehicle and equipment needs. These leases allow us to retain our cash when we do not own the vehicles or equipment and we pay a monthly lease rental fee. At the end of the lease, we have no further obligation to the lessor. We may determine to cancel or terminate a

lease before the end of its term. Typically we are liable to the lessor for various lease cancellation or termination costs and the difference between the then fair market value of the leased asset and the implied book value of the leased asset as calculated in accordance with the lease agreement.

Some of our customers require us to post letters of credit as a means of guaranteeing performance under our contracts and ensuring payment by us to subcontractors and vendors. If our customer has reasonable cause to effect payment under a letter of credit, we would be required to reimburse our creditor for the letter of credit. Depending on the circumstances surrounding a reimbursement to our creditor, we may have a charge to earnings in that period. To date we have not had a situation where a customer has had reasonable cause to effect payment under a letter of credit. At September 30, 2003, \$2.7 million of our outstanding letters of credit were to collateralize our customers.

Some of the underwriters of our casualty insurance program require us to post letters of credit as collateral. This is common in the insurance industry. To date we have not had a situation where an underwriter has had reasonable cause to effect payment under a letter of credit. At September 30, 2003, \$25.7 million of our outstanding letters of credit were to collateralize our insurance program.

Many of our customers require us to post performance and payment bonds issued by a surety. Those bonds guarantee the customer that we will perform under the terms of a contract and that we will pay subcontractors and vendors. In the event that we fail to perform under a contract or pay subcontractors and vendors, the customer may demand the surety to pay or perform under our bond. Our relationship with our sureties is such that we will indemnify the sureties for any expenses they incur in connection with any of the bonds they issues on our behalf. To date, we have not incurred significant costs to indemnify our sureties for expenses they incurred on our behalf. As of September 30, 2003, our cost to complete projects covered by surety bonds was approximately \$227.9 million.

In April 2000, we committed to invest up to \$5.0 million in EnerTech Capital Partners II L.P. (EnerTech). EnerTech is a private equity firm specializing in investment opportunities emerging from the deregulation and resulting convergence of the energy, utility and telecommunications industries. Through September 30, 2003, we had invested \$2.7 million under our commitment to EnerTech. At September 30, 2003, the carrying value of our investment in EnerTech was \$2.5 million. Our investment in EnerTech is accounted for on the cost basis of accounting and, accordingly, we do not record unrealized losses on investments within the EnerTech investment that we believe are temporary in nature. At September 30, 2003, the unrealized losses related to our share of the EnerTech fund amounted to approximately \$0.9 million which we believe to be temporary in nature. If facts arise that lead us to determine that such unrealized losses are not temporary, we would write down our investment in EnerTech through a charge to other expense during the period of such determination.

Our future contractual obligations include (in thousands)(1):

	2004	2005	2006	2007	2008
THEREAFTER TOTAL					

Debt and capital lease obligations.....	\$ 256	\$ 114	\$ 63	\$ 15	\$ 3
	\$247,885 \$248,336				
Operating lease obligations.....	\$12,679	\$10,316	\$6,411	\$4,035	\$2,439
	\$ 2,922 \$ 38,802				

(1) Debt and capital lease obligations are presented without interest.

Our other commercial commitments expire as follows (in thousands):

	2004	2005	2006	2007	2008
THEREAFTER TOTAL					

Standby letters of					

credit.....
\$27,401 \$ -- \$ -- \$ -- \$
-- \$ -- \$27,401 Other
commercial
commitments.....
\$ -- \$ -- \$ -- \$ -- \$ --
\$2,300(2) \$ 2,300

- - - - -

(2) Balance of investment commitment in EnerTech.

OUTLOOK

Economic conditions across the country are challenging. We continue to focus on collecting receivables and reducing days sales outstanding. To improve our position for continued success, we continue to take steps to reduce costs. We have made significant cuts in administrative overhead at the home office and in the field. The economic outlook for fiscal 2004 is still somewhat uncertain. We expect earnings in the first quarter of fiscal 2004 to range between \$0.10 and \$0.15 per share. For the year ended September 30, 2004, we expect earnings to range between \$0.55 and \$0.75 per share excluding any potential goodwill impairment charges.

We expect to generate cash flow from operations. Our cash flows from operations tend to track with the seasonality of our business and historically have improved in the latter part of our fiscal year. We anticipate that our cash flow from operations will provide sufficient cash to enable us to meet our working capital needs, debt service requirements and capital expenditures for property and equipment through the next twelve months. We expect capital expenditures of approximately \$12 million for the fiscal year ended September 30, 2004. Our ability to generate cash flow from operations is dependent on many factors, including demand for our products and services, the availability of work at margins acceptable to us and the ultimate collectibility of our receivables. See "Disclosure Regarding Forward-Looking Statements."

SEASONALITY AND CYCLICAL FLUCTUATIONS

Our results of operations from residential construction are seasonal, depending on weather trends, with typically higher revenues generated during spring and summer and lower revenues during fall and winter. The commercial and industrial aspect of our business is less subject to seasonal trends, as this work generally is performed inside structures protected from the weather. Our service and maintenance business is generally not affected by seasonality. In addition, the construction industry has historically been highly cyclical. Our volume of business may be adversely affected by declines in construction projects resulting from adverse regional or national economic conditions. Quarterly results may also be materially affected by the timing of new construction projects, acquisitions and the timing and magnitude of acquisition assimilation costs. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

INFLATION

Due to the relatively low levels of inflation experienced in fiscal 2001, 2002 and 2003, inflation did not have a significant effect on our results in those fiscal years, or on any of the acquired businesses during similar periods.

RECENT ACCOUNTING PRONOUNCEMENTS

Effective October 1, 2002, we adopted Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. The adoption had no impact on the our financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 establishes requirements for recognition of a liability for a cost associated with an exit or disposal activity based with an objective of recording the initial liability at fair value. We adopted SFAS No 146 effective January 1, 2003. The adoption had no impact on our financial position or results of operations.

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation," by providing alternative methods of transition for a voluntary change to the fair value method of accounting for stock options and other stock-based employee compensation. We adopted SFAS 148 on

January 1, 2003. The adoption of SFAS 148 did not have a material impact on our financial position or results of operations.

Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including indirect Guarantees of Indebtedness of Others," ("Interpretation 45"), will significantly change current practice in accounting for, and disclosure of, guarantees. Interpretation 45 requires a guarantor to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Interpretation 45 also expands the disclosures required to be made by a guarantor about its obligations under certain guarantees that it has issued. Interpretation 45's disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002, while the initial recognition and initial measurement provisions are applicable on prospective basis to guarantees issued or modified after December 31, 2002. The types of guarantees that we are party to include surety bonds and letters of credit. We adopted Interpretation 45 effective January 1, 2003. The adoption does not have a material impact on our results of operations or financial position.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, "Consolidation of Variable Interest Entities," ("Interpretation 46"). The objective of Interpretation 46 is to improve the financial reporting by companies involved with variable interest entities. Until now, one company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interest. Interpretation 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period ending after December 15, 2003. Certain of disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. We have minority interests in two firms, EnerTech Capital Partners II, L.P. and Energy Photovoltaics, Inc., and a joint venture that may fall under this interpretation. We do not believe the adoption of this statement will have a material impact on our results of operations or financial position.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," ("SFAS 150"). SFAS 150 requires that mandatorily redeemable financial instruments issued in the form of shares be classified as liabilities, and specifies certain measurement and disclosure requirements for such instruments. The provisions of SFAS 150 were effective at the beginning of the first interim period beginning after June 15, 2003. We adopted the requirements of SFAS 150 as of July 1, 2003. The adoption did not have a material impact on our results of operations or financial position.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management is actively involved in monitoring exposure to market risk and continues to develop and utilize appropriate risk management techniques. We are not exposed to any significant market risks from commodity price risk or foreign currency exchange risk. Our exposure to significant market risks include outstanding borrowings under our floating rate credit facility. We did not have any outstanding borrowings under our credit facility as of September 30, 2003. Management does not use derivative financial instruments for trading purposes or to speculate on changes in interest rates or commodity prices.

As a result, our exposure to changes in interest rates results from our short-term and long-term debt with both fixed and floating interest rates. The following table presents principal or notional amounts (stated in thousands) and related interest rates by year of maturity for our debt obligations and their indicated fair market value at September 30, 2003:

	2004	2005	2006	2007
	2008	THEREAFTER		
TOTAL	-----	-----	-----	-----
-----	-----	-----	-----	-----
Liabilities -- Debt:				
Fixed Rate (Senior				
Subordinated				
Notes).....	\$ --	\$ --	\$ --	\$ --
- \$ --	\$ --	\$ --	\$ --	\$ --
\$247,885	\$247,885	\$247,885		
Interest				
Rate.....				
9.375%	9.375%	9.375%	9.375%	
9.375%	9.375%	9.375%	9.375%	
9.375%	Fair Value of			
	Debt: Fixed			
Rate.....				
	\$255,322			

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Integrated Electrical Services, Inc.

We have audited the accompanying consolidated balance sheets of Integrated Electrical Services, Inc. and subsidiaries as of September 30, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Integrated Electrical Services, Inc. for the year ended September 30, 2001 were audited by other auditors who have ceased operations and whose report dated November 12, 2001, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 consolidated financial position of Integrated Electrical Services, Inc. and subsidiaries at September 30, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, effective October 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("FAS 142").

As discussed above, the consolidated financial statements of Integrated Electrical Services, Inc. for the year ended September 30, 2001 were audited by other auditors who have ceased operations. As described in Notes 2 and 10, these consolidated financial statements have been revised. We audited the adjustments described in Note 10 that were applied to revise the 2001 consolidated financial statements relating to changes in segments. We also applied procedures with respect to the disclosures in Note 2 pertaining to financial statement revisions to include the transitional disclosures required by FAS 142. In our opinion, the adjustments to Note 10 are appropriate and have been properly applied. In addition, in our opinion, the FAS 142 disclosures for 2001 in Note 2 are appropriate. However, we were not engaged to audit, review or apply any procedures to the 2001 consolidated financial statements of the Company other than with respect to such adjustments and accordingly, we do not express an opinion or any other form of assurance on the 2001 consolidated financial statements as a whole.

ERNST & YOUNG LLP

Houston, Texas
October 31, 2003

[This is a copy of the audit report previously issued by Arthur Andersen LLP in connection with Integrated Electrical Services, Inc.'s filing on Form 10-K for the year ended September 30, 2001. This audit report has not been reissued by Arthur Andersen LLP in connection with this filing on Form 10-K for the year ended September 30, 2003. Integrated Electrical Services, Inc.'s consolidated balance sheet as of September 30, 2000, and the consolidated statements of operations, stockholder's equity and cash flows for the two years ended September 30, 2000 are not required to be presented and are not included in this Form 10-K.]

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Integrated Electrical Services, Inc.:

We have audited the accompanying consolidated balance sheets of Integrated Electrical Services, Inc. (a Delaware corporation), and subsidiaries as of September 30, 2000 and 2001, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three fiscal years in the period ended September 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 consolidated financial position of Integrated Electrical Services, Inc., and subsidiaries as of September 30, 2000 and 2001, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Houston, Texas
November 12, 2001

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

SEPTEMBER 30, -----	2002	2003	-----
----- ASSETS			
CURRENT ASSETS: Cash and cash equivalents.....	\$ 32,779	\$ 40,201	\$
Accounts receivable: Trade, net of allowance of \$6,262 and \$5,425 respectively.....	237,310	245,618	
Retainage.....	62,482	68,789	Related
party.....	153	67	
Costs and estimated earnings in excess of billings on uncompleted contracts.....	46,314	48,256	
Inventories.....	23,651	20,473	
Prepaid expenses and other current assets.....	35,041	23,319	-----
Total current assets.....	437,730	446,723	-----
PROPERTY AND EQUIPMENT, net.....	52,697	61,577	
GOODWILL, net.....	198,220	197,884	
OTHER NONCURRENT ASSETS, net.....	24,112	28,870	-----
----- Total			
assets.....	\$ 721,639	\$ 726,174	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES: Current maturities of long-term debt.....	\$ 570	\$ 256	
Accounts payable and accrued expenses.....	141,398	138,143	
Billings in excess of costs and estimated earnings on uncompleted contracts.....	51,548	41,913	
Total current liabilities.....	193,516	180,312	----
LONG-TERM DEBT, net of current maturities.....	504	195	
SENIOR SUBORDINATED NOTES, net.....	247,935	247,927	
OTHER NONCURRENT LIABILITIES.....	25,252	30,183	
----- Total			
liabilities.....	467,207	458,617	-----
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY: Preferred stock, \$.01 par value, 10,000,000 shares authorized, none issued and outstanding.....	--	--	
Common stock, \$.01 par value, 100,000,000 shares authorized, 38,439,984 shares issued.....	385	385	
Restricted voting common stock, \$.01 par value, 2,605,709 shares issued, authorized and outstanding.....	26	26	
Additional paid-in capital.....	428,427	427,709	
Treasury stock, at cost, 1,421,068 and 2,725,793 shares, respectively.....	(9,774)	(16,361)	Retained
deficit.....	(164,632)	(144,202)	-----
Total stockholders' equity.....	254,432	267,557	-----
Total liabilities and stockholders' equity.....	\$ 721,639	\$ 726,174	=====

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

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

YEAR ENDED SEPTEMBER 30, -----	-----	-----	-----
-----	2001	2002	2003
-----	-----	-----	-----
REVENUES.....	\$ 1,693,213	\$ 1,475,430	\$ 1,448,553
COST OF SERVICES.....	1,385,589	1,253,844	1,241,330
Gross profit.....	307,624	221,586	207,223
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	153,651	153,651	153,651
RESTRUCTURING CHARGES.....			5,556
GOODWILL AMORTIZATION.....			12,983
Income from operations.....	41,846	53,572	80,568
OTHER INCOME (EXPENSE): Interest expense.....	(26,702)	(25,744)	(26,053)
Other, net.....	964	781	(134)
Interest and other expense, net.....	(24,963)	(24,963)	(25,738)
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE.....	16,108	28,609	54,381
PROVISION FOR INCOME TAXES.....	283,284	25,671	6,175
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX.....		8,179	8,179
NET INCOME (LOSS).....	\$ 28,710	\$ (273,351)	\$ 20,430
===== BASIC EARNINGS (LOSS) PER SHARE: Basic earnings per share before cumulative effect of change in accounting principle.....	\$ 0.25	\$ 0.52	\$ 0.71
Cumulative effect of change in accounting principle... \$ -- \$ (7.11) \$ --			
===== Basic earnings (loss) per share.....	\$ 0.71	\$ (6.86)	\$ 0.52
===== DILUTED EARNINGS (LOSS) PER SHARE: Diluted earnings per share before cumulative effect of change in accounting principle.....	\$ 0.70	\$ 0.25	\$ 0.52
Cumulative effect of change in accounting principle... \$ -- \$ (7.11) \$ --			
===== Diluted earnings (loss) per share.....	\$ 0.70	\$ (6.86)	\$ 0.52
SHARES USED IN THE COMPUTATION OF EARNINGS (LOSS) PER SHARE:			
Basic.....	40,402,533	39,847,591	39,062,776
Diluted.....	40,899,790	39,847,591	39,225,312

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

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

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

	RESTRICTED VOTING COMMON STOCK	TREASURY STOCK	COMMON STOCK	ADDITIONAL RETAINED TOTAL

----- PAID-IN				
EARNINGS				
STOCKHOLDERS' SHARES				
AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
CAPITAL (DEFICIT)				
EQUITY -----				

BALANCE, September				
30,				
2000.....	38,099,079	\$381	2,655,709	\$27 -- \$ -
	-	\$427,332	\$ 80,009	
	\$507,749	Issuance of	stock.....	225,424
	2 (50,000)	(1)	-- --	
	1,037	--	1,038	
	Purchase of treasury			
	stock.....			
	-- -- -- --			
	(1,459,573)	(10,376)		
	-- --	(10,376)		
	Issuance of stock			
	under employee stock			
	purchase			
	plan.....	-- -- --		
	-- --	207,642	1,173	
	(193)	--	980	
	Exercise of stock			
	options.....			
	7,169	-- -- --	6,052	
	22 521	--	543	Net
	income.....			

	28,710	28,710	-----	

	BALANCE,			
	September 30,			
2001.....	38,331,672	\$383	2,605,709	\$26
	(1,245,879)	\$		
	(9,181)	\$428,697	\$	
	108,719	\$528,644		
	Issuance of			
	stock.....	7,306	--	
	-- --	213,150	1,321	
	(349)	--	972	
	Purchase of treasury			
	stock.....			
	-- -- -- --			
	(209,600)	(984)	-- --	
	--	(984)	Receipt of	
	treasury			
	stock.....			
	-- -- -- --			
	(241,224)	(1,392)	--	
	--	(1,392)	Issuance	
	of stock under			
	employee stock			

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

YEAR ENDED SEPTEMBER 30, -----	2001	2002	2003	-----	-----	CASH
FLAWS FROM OPERATING ACTIVITIES: Net income						
(loss).....	\$					
28,710 \$(273,351) \$ 20,430						
Adjustments to reconcile net						
income (loss) to net cash						
Provided by operating						
activities- Cumulative effect of change in accounting						
principle.....	-- 283,284	--				
Provision for allowance						
for doubtful accounts.....	912	4,324	2,277			
Deferred income						
taxes.....	(4,938)	6,175				
8,179 Depreciation and						
amortization.....	30,345	18,633				
16,315 (Gain) loss on sale of property and						
equipment.....	(287)	1,547	38			
Non-cash						
compensation charge.....	568					
1,422 -- Gain on						
divestitures.....	--					
(2,145) (381) Changes in operating assets and						
liabilities, net of acquisitions and dispositions of						
businesses (Increase) decrease in: Accounts						
receivable.....	26,163					
30,943 (2,667)						
Inventories.....						
(4,979) (2,770) 3,011 Costs and estimated earnings in						
excess of billings on uncompleted						
contracts.....	(10,785)					
14,524 (1,545) Prepaid expenses and other current						
assets.....	(15,640)	(9,824)	1,200			
Other						
noncurrent assets.....						
2,840 3,199 (2,221) Increase (decrease) in: Accounts						
payable and accrued expenses.....						
(37,831) (37,739) 2,606 Billings in excess of costs and						
estimated earnings on uncompleted						
contracts.....	(6,414)					
3,709 (13,083) Other current						
liabilities.....	(250)	172	--			
Other noncurrent						
liabilities.....	220	11,264				
5,144 -----						
Net cash provided by						
operating activities.....	8,634	53,367	39,303	----		

CASH FLOWS FROM INVESTING						
ACTIVITIES: Proceeds from sale of property and						
equipment.....	1,467	895	2,339			
Purchases of						
property and equipment.....	(25,801)					
(11,895) (8,727) Purchase of businesses, net of cash						
acquired.....	(233)	--	(2,723)			
Sale of						
businesses.....	--					
7,549 2,153 Investments in						
securities.....	(5,599)	(300)				
(900) Additions to note receivable from						
affiliate.....	(1,250)	(583)	--			

Net cash used in investing						
activities.....	(31,416)	(4,334)	(7,858)	----		

CASH FLOWS FROM FINANCING						
ACTIVITIES:						
Borrowings.....						
231,744 74,613 77 Repayments of						
debt.....	(192,811)					
(97,941) (16,309) Proceeds from sale of interest rate						
swaps.....	-- 4,040	--				
Purchase of treasury						
stock.....	(10,376)	(984)				
(10,207) Payments for debt issuance						
costs.....	(5,358)	--	(679)			
Proceeds from issuance of stock.....	1,038	--				
- -- Proceeds from issuance of stock under employee						
stock purchase						
plan.....	980	--				
821 Proceeds from exercise of stock						
options.....	270	543	2,274	-----		

Net cash provided by (used in) financing						
activities.....						
25,487 (19,729) (24,023) -----						

NET INCREASE IN CASH AND CASH

EQUIVLENTS.....	2,705	29,304	7,422	CASH
AND CASH EQUIVALENTS, beginning of period.....	770	3,475	32,779	----- CASH AND
CASH EQUIVALENTS, end of period.....	\$	3,475	\$ 32,779	\$ 40,201 =====
SUPPEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: Cash				
paid for				
Interest.....	\$ 23,793	\$ 23,117	\$ 24,003	Income
taxes.....	30,667	5,091	599	

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

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS:

Integrated Electrical Services, Inc. (the "Company" or "IES"), a Delaware corporation, was founded in June 1997 to create a leading national provider of electrical services, focusing primarily on the commercial and industrial, residential, low voltage and service and maintenance markets.

In the course of its operations, the Company is subject to certain risk factors, including but not limited to: exposure to downturns in the economy, risks related to its acquisition strategy, risks related to management of internal growth and execution of strategy, management of external growth, availability of qualified employees, competition, seasonality, risks associated with contracts, significant fluctuations in quarterly results, recoverability of goodwill, collectibility of receivables, dependence on key personnel and risks associated with the availability of capital and with debt service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of IES, its wholly owned subsidiaries, and certain investments. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to the segment data for the fiscal year ended September 30, 2001 to conform to the presentation used for the years ended September 30, 2002 and 2003 (See note 10).

Cash and Cash Equivalents

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

Inventories

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

Securities and Equity Investment

At September 30, 2001, the Company had a 20.6% equity interest in Energy Photovoltaics, Inc. (EPV) of \$4.9 million which was included in other noncurrent assets. The Company accounted for this investment under the equity method of accounting in accordance with Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." During the years ended September 30, 2001 and 2002, the Company recognized losses of \$0.4 million and \$0.6 million, respectively, as its portion of this investment's losses. This amount is included as a component of other expense in the Company's consolidated statement of operations. During the year ended September 30, 2002, the Company distributed out a portion of its investment in EPV to a former officer of the Company, bringing its interest below 20%. Accordingly, at September 30, 2002 and September 30, 2003, the Company accounts for its interest in EPV under the cost method of accounting for investments. Additionally, the Company has notes receivable totaling approximately \$1.8 million with EPV at September 30, 2002 and September 30, 2003. See note 14 for further commitments.

During the year ended September 30, 2001, the Company disposed of one of its cost method investments for approximately \$0.3 million and realized a loss of \$0.7 million. Such loss is included as a component of other expense in the Company's consolidated statement of operations for the year ended September 30, 2001. Through September 30, 2003, the Company had invested \$2.7 million under its commitment to EnerTech Capital Partners II L.P. (EnerTech) (See note 14). The carrying value of the EnerTech investment at September 30, 2003 was \$2.5 million. This investment is accounted for on the cost basis of accounting and, accordingly, the Company

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

does not record unrealized losses on investments within the EnerTech investment that it believes are temporary in nature. At September 30, 2003, the unrealized losses related to the Company's share of the EnerTech fund amounted to approximately \$0.9 million which it believes are temporary in nature.

At September 30, 2002 and 2003, the Company's cost method investments in securities have a carrying value of \$5.1 million and \$6.1 million, respectively. The fair values of the Company's investments at September 30, 2002 and 2003 are \$4.7 and \$5.2 million, respectively. The difference between the carrying values and fair values at September 30, 2002 and 2003 are unrealized losses on the EnerTech investment which the Company believes are temporary in nature. The Company uses available information and may perform discounted cash flow analyses to determine impairment of its investments, if any.

Property and Equipment

Additions of property and equipment are recorded at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation expense was approximately \$15.8 million, \$16.9 million and \$14.6 million for the years ended September 30, 2001, 2002 and 2003, respectively.

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

Goodwill

Effective October 1, 2001, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS No. 142, all goodwill amortization ceased effective October 1, 2001. Goodwill amortization for each of the years ended September 30, 2002 and September 30, 2003 would have otherwise been \$12.9 million (before the impairment charge). Goodwill attributable to each of the Company's reporting units was tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value was determined using discounted cash flows, market multiples and market capitalization. These impairment tests are required to be performed at adoption of SFAS No. 142 and at least annually thereafter. Significant estimates used in the methodologies include estimates of future cash flows, future short-term and long-term growth rates, weighted average cost of capital and estimates of market multiples for each of the reportable units. On an ongoing basis (absent any impairment indicators), the Company expects to perform our impairment tests annually during the first fiscal quarter.

Based on the Company's impairment tests performed upon adoption of SFAS No. 142, it recognized a charge of \$283.3 million (\$7.11 per share) in the first quarter of 2002 to reduce the carrying value of goodwill of its reporting units to its implied fair value. This charge resulted in the recording of a deferred tax asset totaling \$14.6 million for which the Company provided a full valuation allowance because at the time of adoption it was not deemed more likely than not that the deferred tax asset would be realized. The future scheduled reversal of the asset is dependent upon many factors, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. At September 30, 2003, this deferred tax asset, net of valuation allowance totaled \$2.8 million. This impairment is a result of adopting a fair value approach, under SFAS No. 142, to testing impairment of goodwill as compared to the previous method utilized in which evaluations of goodwill impairment were made by the Company using the estimated future undiscounted cash flows compared to the assets' carrying amount. Under SFAS No. 142, the impairment adjustment recognized at adoption of the new rules was reflected as a cumulative effect of change in accounting principle in the Company's first quarter

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2002 statement of operations. The impairment was the result of lower forecasted future operating income at the point of adoption than were anticipated to result from decreased spending in the construction industry in all of the Company's markets except Residential. The impairment related to the Company's current operating regions follows (amounts in millions):

Southeast.....	\$ 89.2
Northeast.....	35.2
Gulf Plains.....	47.4
Central.....	80.8
West.....	21.0
Residential.....	2.6
Divested after adoption.....	7.1

Total.....	\$283.3
	=====

Under SFAS No. 142, the impairment adjustment recognized at adoption of the new rules was reflected as a cumulative effect of change in accounting principle in the statement of operations for the year ended September 30, 2002. Impairment adjustments recognized after adoption, if any, generally are required to be recognized as operating expenses.

As of September 30, 2001, 2002 and 2003, accumulated amortization was approximately \$38.7 million, \$37.4 million and \$37.4 million, respectively. The carrying amount of goodwill attributable to each reportable segment with goodwill balances and changes therein follows:

SEPTMBER 30,			
IMPAIRMENT SEPTEMBER			
30, SEPTEMBER 30,			
2001 ADJUSTMENT			
DIVESTITURES 2002			
DIVESTITURES 2003 --			

Commercial and			
Industrial.....			
\$418,887 \$277,042			
\$1,150 \$140,695 \$336			
\$140,359			
Residential.....			
63,767 6,242 --			
57,525 -- 57,525 ---			

---- \$482,654			
\$283,284 \$1,150			
\$198,220 \$336			
\$197,884 =====			
=====			
=====			
=====			

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

estimated contract costs and profitability and final contract settlements may result in revisions to costs and income and the effects of these revisions are recognized in the period in which the revisions are determined. Provisions for total estimated losses on uncompleted contracts are made in the period in which such losses are determined.

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

The current asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents revenues recognized in excess of amounts billed which management believes will be billed and collected within the subsequent year. The current liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of revenues recognized.

Accounts Receivable and Provision for Doubtful Accounts

The Company provides an allowance for doubtful accounts for specific accounts receivable where collection is considered doubtful as well as for unknown collection issues based on historical trends.

Income Taxes

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

The Company regularly evaluates valuation allowances established for deferred tax assets for which future realization is uncertain. The Company performs this evaluation at least annually at the end of each fiscal year. The estimation of required valuation allowances includes estimates of future taxable income. In assessing the realizability of deferred tax assets at September 30, 2003, the Company considers whether it was more likely than not that some portion or all of the deferred tax assets would not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. If actual future taxable income differs from our estimates, the Company's results could be affected.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used in the Company's revenue recognition of construction in progress, allowance for doubtful accounts, realizability of deferred tax assets and self-insured claims liability.

Self-Insurance

The Company retains the risk for workers' compensation, employer's liability, automobile liability, general liability and employee group health claims, resulting from uninsured deductibles per accident or occurrence which are subject to annual aggregate limits. The Company's general liability program provides coverage for bodily injury and property damage neither expected nor intended. Losses up to the deductible amounts are

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

accrued based upon the Company's known claims incurred and an estimate of claims incurred but not reported. For the year ended September 30, 2003, management has compiled its historical data pertaining to the self-insurance experiences and has utilized the services of an actuary to assist in the determination of the ultimate loss associated with the Company's self-insurance programs for workers' compensation, auto and general liability. Management believes that the actuarial valuation provides the best estimate of the ultimate losses to be expected under these programs and has recorded the present value of the actuarial determined ultimate losses under its workers compensation, auto and general liability programs of \$13.2 million and \$13.0 million at September 30, 2002 and 2003, respectively. The present value is based on the expected cash flow to be paid out under the workers' compensation, automobile and general liability programs discounted at 5% on those claims not expected to be paid within twelve months. The undiscounted ultimate losses related to the workers' compensation, automobile and general liability programs are \$14.6 million and \$14.3 million at September 30, 2002 and 2003, respectively. The utilization of the actuarial valuation resulted in an increase in reserves for self-insurance losses during the year ended September 30, 2002. The Company recorded a charge associated with this change in estimate of approximately \$6.1 million during the fourth quarter of the year ended September 30, 2002. Insurance expense for these programs was approximately \$39.9 million, \$49.4 million and \$40.8 million for the years ended September 30, 2001, 2002 and 2003, respectively. The present value of all self-insurance reserves for the health, property and casualty programs recorded at September 30, 2002 and 2003 is \$19.5 million and \$18.2 million, respectively. The undiscounted ultimate losses of all self-insurance reserves at September 30, 2002 and 2003 was \$20.8 million and \$19.4 million, respectively. Based on historical payment patterns, the Company expects payments of undiscounted ultimate losses to be made as follows (amounts in thousands):

YEAR ENDED SEPTEMBER 30,	
2004.....	\$10,349
2005.....	3,371
2006.....	2,138
2007.....	1,337
2008.....	843
Thereafter.....	1,382

Total.....	\$19,420
	=====

The Company had restricted cash of \$3.5 million and letters of credit of \$25.7 million outstanding at September 30, 2003 to collateralize its self-insurance obligations.

Realization of Long-Lived Assets

In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," the Company evaluates the recoverability of property and equipment or other assets, if facts and circumstances indicate that any of those assets might be impaired. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property has occurred. The effect of any impairment would be to expense the difference between the fair value of such property and its carrying value. To date, the Company has not recorded any such impairments.

Risk Concentration

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash deposits and trade accounts receivable. The Company grants credit, generally without collateral, to its customers, which are generally contractors and homebuilders throughout the United States. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

throughout the United States within the construction and home-building market. However, the Company generally is entitled to payment for work performed and has certain lien rights in that work. Further, management believes that its contract acceptance, billing and collection policies are adequate to manage potential credit risk. The Company routinely maintains cash balances in financial institutions in excess of federally insured limits.

The Company had no single customer accounting for more than 10% of its revenues for the years ended September 30, 2001, 2002 and 2003.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, receivables from related parties, retainage receivables, notes receivable, accounts payable, a line of credit, notes and bonds payable, long-term debt and interest rate swap agreements. The Company's senior subordinated notes had a carrying value, excluding unamortized discount, at September 30, 2002 and 2003 \$247.9 million. The fair value of the Company's senior subordinated notes at September 30, 2002 and 2003 was \$218.1 million and \$255.3 million, respectively. The Company utilizes quoted market prices to determine the fair value of its debt. Other than the senior subordinated notes, the Company believes that the carrying value of financial instruments on the accompanying consolidated balance sheets approximates their fair value.

Subsidiary Guarantees

All of the Company's operating income and cash flows are generated by its wholly owned subsidiaries, which are the subsidiary guarantors of the Company's outstanding 9 3/8% Senior Subordinated Notes due 2009 (the "Senior Subordinated Notes"). The Company is structured as a holding company and substantially all of its assets and operations are held by its subsidiaries. There are currently no significant restrictions on the Company's ability to obtain funds from its subsidiaries by dividend or loan. The parent holding company's independent assets, revenues, income before taxes and operating cash flows are less than 3% of the consolidated total. The separate financial statements of the subsidiary guarantors are not included herein because (i) the subsidiary guarantors are all of the direct and indirect subsidiaries of the Company; (ii) the subsidiary guarantors have fully and unconditionally, jointly and severally guaranteed the Senior Subordinated Notes; and (iii) the aggregate assets, liabilities, earnings, and equity of the subsidiary guarantors is substantially equivalent to the assets, liabilities, earnings and equity of the Company on a consolidated basis. As a result, the presentation of separate financial statements and other disclosures concerning the subsidiary guarantors is not deemed material.

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Earnings per Share

The following table reconciles the components of the basic and diluted earnings (loss) per share for the three years ended September 30, 2001, 2002 and 2003 (in thousands, except share information):

YEAR ENDED SEPTEMBER 30, -----	2001	2002	2003	-----
----- Numerator: Net income				
(loss).....	\$ 28,710	\$ (273,351)	\$ 20,430	=====
----- Denominator: Weighted average common				
shares outstanding --				
basic.....	40,402,533	39,847,591	39,062,776	
Effect of dilutive stock				
options.....	497,257	-	162,536	-----
----- Weighted average				
common and common equivalent shares outstanding --				
diluted.....	40,899,790	39,847,591	39,225,312	=====
----- Earnings (loss) per share:				
Basic.....	\$ 0.71	\$ (6.86)	\$ 0.52	
Diluted.....	\$ 0.70	\$ (6.86)	\$ 0.52	

For the years ended September 30, 2001, 2002 and 2003, exercisable stock options of 4.4 million, 5.6 million and 4.2 million, respectively, were excluded from the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the Company's common stock.

Stock Based Compensation

The Company accounts for its stock-based compensation arrangements using the intrinsic value method in accordance with the provisions of Accounting Principles Board Opinion No. 25 -- "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations. Under APB 25, if the exercise price of employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. The Company's stock options have all been granted with exercise prices at fair value, therefore no compensation expense has been recognized under APB 25. During the years ended September 30, 2001 and 2002, the Company recorded compensation expense of \$568 and \$1,422 in connection with a restricted stock award (See note 11).

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table illustrates the effect on net income and earnings per share assuming the compensation costs for IES' stock option and purchase plans had been determined using the fair value method at the grant dates amortized on a pro rata basis over the vesting period as required under SFAS No.

123 -- "Accounting for Stock-Based Compensation" for the years ended September 30, 2001, 2002 and 2003 (in thousands, except for per share data):

YEAR ENDED SEPTEMBER 30, -----	2001	2002	2003	-----
Net income (loss), as reported.....	\$28,710			
\$(273,351) Add: Stock-based employee compensation expense included in reported net income, net of related tax effects.....	\$20,430			
349 875 -- Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects.....				
5,774 2,689 ----- Pro forma net income (loss) for SFAS No. 123.....	\$23,473			
===== Earnings (loss) per share: Basic as reported.....	\$ 0.71	\$ (6.86)	\$ 0.52	
Basic pro forma for SFAS No. 123.....	\$ 0.58			
(6.98) Earnings (loss) per share: Diluted -- as reported.....	\$ 0.70	\$ (6.86)	\$ 0.52	
Diluted -- pro forma for SFAS No. 123.....	\$ 0.57			
(6.98) \$ 0.45				

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following subjective assumptions:

2001	2002	2003	-----	-----	-----
Expected dividend yield.....	0.00%	0.00%	0.00%		
Expected stock price volatility.....	60.99%	81.56%	51.94%		
Weighted average risk free interest rate.....	5.15%	3.96%	3.21%		
Expected life of options.....	6 years	6 years	6 years		

The pro forma disclosures for the years ended September 30, 2001 and 2002 have been adjusted to reflect the impact of cancellations and forfeitures of stock options issued prior to September 30, 2003. The effects of applying SFAS No. 123 in the pro forma disclosure may not be indicative of future amounts as additional awards in future years are anticipated and because the Black-Scholes option-pricing model involves subjective assumptions which may be materially different than actual amounts.

New Accounting Pronouncements

Effective October 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. The adoption had no impact on the Company's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 establishes requirements for recognition of a liability for a cost associated with an exit or disposal activity based with an objective of recording the initial liability

at fair value. The Company adopted

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

SFAS No 146 effective January 1, 2003. The adoption had no impact on the Company's financial position or results of operations.

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation," by providing alternative methods of transition for a voluntary change to the fair value method of accounting for stock options and other stock-based employee compensation. The Company adopted SFAS 148 on January 1, 2003. The adoption of SFAS 148 did not have a material impact on the Company's financial position or results of operations.

Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including indirect Guarantees of Indebtedness of Others," ("Interpretation 45"), will significantly change current practice in accounting for, and disclosure of, guarantees. Interpretation 45 requires a guarantor to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Interpretation 45 also expands the disclosures required to be made by a guarantor about its obligations under certain guarantees that it has issued. Interpretation 45's disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002, while the initial recognition and initial measurement provisions are applicable on prospective basis to guarantees issued or modified after December 31, 2002. The types of guarantees that the Company is party to include surety bonds and letters of credit. The Company adopted Interpretation 45 effective January 1, 2003. The adoption did not have a material impact on the Company's results of operations or financial position.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, "Consolidation of Variable Interest Entities," ("Interpretation 46"). The objective of Interpretation 46 is to improve the financial reporting by companies involved with variable interest entities. Until now, one company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interest. Interpretation 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period ending after December 15, 2003. Certain of disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company has minority interests in two firms, EnerTech Capital Partners II, L.P. and Energy Photovoltaics, Inc., and a joint venture that may fall under this interpretation. The Company does not believe the adoption of this statement will have a material impact on its results of operations or financial position.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," ("SFAS 150"). SFAS 150 requires that mandatorily redeemable financial instruments issued in the form of shares be classified as liabilities, and specifies certain measurement and disclosure requirements for such instruments. The provisions of SFAS 150 were effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted the requirements of SFAS 150 as of July 1, 2003. The adoption did not have a material impact on the Company's results of operations or financial position.

3. BUSINESS COMBINATIONS:

Purchases

On February 27, 2003, the Company purchased the assets of Riviera Electric LLC, an electrical contractor located in the state of Colorado out of a bankruptcy auction of a prior competitor. The total consideration paid in this transaction was approximately \$2.7 million, comprised entirely of cash, net of cash acquired. The fair value

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

of the tangible net assets acquired exceeded the total consideration paid. As a result, the long-term fixed assets of the acquisition were reduced to zero. The accompanying balance sheets include allocations of the purchase price to the assets acquired and liabilities assumed based on estimates of fair value and are subject to final adjustment during the second fiscal quarter of the year ended September 30, 2004. The purchase price was allocated as follows (amounts in thousands):

Accounts receivable, net.....	\$ 11,643
Retention.....	
3,884 Costs and estimated earnings in excess of billings on uncompleted projects and other.....	
922 Less: Accounts payable and accrued expenses.....	(10,214)
Less: Billings in excess of costs and estimated earnings on uncompleted projects and other.....	(3,512)
----- Cash paid, net of cash acquired.....	\$
	2,723 =====

The results of operations of Riviera are included in the Company's consolidated financial statements from February 27, 2003 through September 30, 2003.

Pro Forma Presentation

The unaudited pro forma data presented below reflect the results of operations of IES and the acquisition of Riviera Electric LLC assuming the transaction was completed on October 1, 2001 (in thousands):

YEAR ENDED SEPTEMBER 30, -----	2002	
2003 -----	(UNAUDITED)	(UNAUDITED)
Revenues.....	\$1,557,711	\$1,483,218
=====	=====	=====
Net income before cumulative effect of change in accounting principle.....	\$ 15,425	\$ 21,150
=====	=====	=====
Net income (loss).....	\$ (267,859)	\$ 21,150
=====	=====	=====
Basic earnings per share before cumulative effect of change in accounting principle.....	\$ 0.39	\$ 0.54
=====	=====	=====
Cumulative effect of change in accounting principle.....	\$ (7.11)	\$ 0.00
=====	=====	=====
Basic earnings (loss) per share.....	\$ (6.72)	\$ 0.54
=====	=====	=====
Diluted earnings per share before cumulative effect of change in accounting principle.....	\$ 0.39	\$ 0.54
=====	=====	=====
Cumulative effect of change in accounting principle.....	\$ (7.11)	\$ 0.00
=====	=====	=====
Diluted earnings (loss) per share.....	\$ (6.72)	\$ 0.54
=====	=====	=====

The unaudited pro forma data summarized above also reflects pro forma adjustments primarily related to: reductions in general and administrative expenses for contractually agreed reductions in compensation programs and additional income tax expense based on the Company's effective income tax rate. The unaudited pro forma financial data does not purport to represent what the Company's combined results of operations would actually have been if such transactions had in fact occurred on October 1, 2001, and are not necessarily representative of the Company's results of operations for any future period.

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Divestitures

On July 25, 2002, the Company sold all of the stock of two of its operating companies. The proceeds from the sale were \$7.5 million in cash and 241,224 shares of the Company's common stock. The Company recorded a pre-tax gain of \$2.1 million associated with this sale that is recorded in other income.

On October 8, 2002, the Company sold all of the stock of one of its operating companies. The proceeds from the sale were \$1.1 million in cash and 70,330 shares of the Company's common stock. The Company recorded a pre-tax gain of less than \$0.1 million associated with this sale that is recorded in other income.

On July 1, 2003, the Company sold all of the stock of one of its operating companies. The proceeds from the sale were \$1.1 million in cash. The Company recorded a pre-tax gain of \$0.4 million associated with this sale that is recorded in other income.

In connection with the dispositions discussed above, the net pre-tax gain was determined as follows for the years ended September 30, 2002 and 2003 (in thousands):

2002	2003	-----	-----	Book value of assets
divested.....				\$10,783 \$2,719
			Liabilities	
divested.....				
		(3,987)	(675)	-----
				----- Net assets
divested.....				6,796
		2,044		-----
				----- Cash
received.....				
		7,549	2,155	Common stock
received.....				1,392
		270		-----
				----- Total consideration
received.....				8,941 2,425 ---

				----- Pre-tax
gain.....				\$
		2,145	\$ 381	=====

Had the dispositions discussed above been completed on October 1, 2001, the results of the Company for the years ended September 30, 2002 and 2003 would have excluded revenues of \$33.0 million and \$0.1 million, respectively and losses from operations of \$0.3 million and \$0.0 million, respectively.

4. RESTRUCTURING CHARGES

In October 2001, the Company began implementation of a workforce reduction program. The purpose of this program was to cut costs by reducing the number of administrative staff both in the field and at the home office. The total number of terminated employees was approximately 450. As a result of the program implementation, the Company recorded pre-tax restructuring charges of \$5.6 million associated with 45 employees during the year ended September 30, 2002 and presented these charges as a separate component of the Company's results of operations for the period then ended. The charges were based on the costs of the workforce reduction program and include severance and other special termination benefits. The Company believes the reduction of these personnel resulted in annual savings of approximately \$4.1 million in salaries and benefits. At September 30, 2002, approximately \$2.0 million of these charges that related to five individuals had not been paid and were included in accounts payable and accrued expenses. At September 30, 2003, approximately \$1.3 million of these charges that relate to three individuals have not been paid and are included in accounts payable and accrued expenses. The Company anticipates making the remaining payments accrued under this restructuring during the year ended September 30, 2004.

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

5. PROPERTY AND EQUIPMENT:

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

ESTIMATED SEPTEMBER 30, USEFUL LIVES -----	-----	2002	2003	-----
----- IN YEARS	-----	-----	-----	-----
Land.....	N/A	\$ 1,621	\$ 1,621	
Buildings.....	5-32	8,169	8,072	Transportation
equipment.....				3-5 30,280
equipment.....		29,221		Machinery and
improvements.....		53,692		Leasehold
fixtures.....	5-32	13,369	13,658	Furniture and
8,815 -----	5-7			8,543
Accumulated depreciation and amortization...		113,753	115,079	Less --
(52,176) (62,382) -----				Property and
equipment, net.....		\$ 61,577	\$	
		52,697	=====	=====

6. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

SEPTEMBER 30, -----	-----	2002	2003	-----
Balance at beginning of period.....		\$ 5,206	\$ 6,262	
Additions to costs and expenses.....		4,324	2,277	
Acquisitions.....	--	411		
Deductions for uncollectible receivables written off, net of recoveries.....		(3,136)	(3,514)	Deductions for
divestitures.....		(132)	(11)	
Balance at end of period.....		\$ 6,262	\$	
		5,425	=====	=====

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

SEPTEMBER 30, -----	-----	2002	2003	-----
Accounts payable, trade.....		\$ 65,433	\$	
77,598 Accrued compensation and benefits.....		22,934	24,809	Accrual
for self-insurance liabilities.....		19,453	18,162	Accrued payment for repurchase of senior
subordinated notes.....		14,268	--	Other accrued
expenses.....		19,310		
17,574 -----		\$141,398	\$138,143	=====
		=====		

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Contracts in progress are as follows (in thousands):

SEPTEMBER 30, -----	2002	
2003 -----		Costs incurred on
		contracts in progress..... \$
		1,188,532 \$ 1,132,778 Estimated
		earnings.....
		182,360 149,627 -----
		1,370,892 1,282,405 Less -- Billings to
		date.....
		(1,376,126) (1,276,062) -----
		\$ (5,234) \$ 6,343 =====
		Costs and estimated earnings in excess of billings on
		uncompleted
		contracts..... \$
		46,314 \$ 48,256 Less -- Billings in excess of
		costs and estimated earnings on uncompleted
		contracts.....
		(51,548) (41,913) -----
		(5,234) \$ 6,343 =====

7. DEBT:

Debt consists of the following (in thousands):

SEPTEMBER 30, -----	2002	2003	-----
-- Senior Subordinated Notes, due February 1, 2009, bearing			
interest at 9.375% with an effective interest rate of			
9.50%.....			
137,885	137,885	Senior Subordinated Notes, due February 1,	
2009, bearing interest at 9.375% with an effective interest		rate of	
10.00%.....			
	110,000	110,000	
Other.....			
1,074	451	-----	248,959
			248,336
			Less-current
			maturities of long-term debt..... (570) (256)
			Less-unamortized discount on Senior Subordinated
			Notes..... (3,797) (3,198) Fair value of terminated
			interest rate hedges..... 3,847 3,240 -----
			----- Total long-term
			debt..... \$248,439 \$248,122
			=====

Future payments due on debt at September 30, 2003 are as follows (in thousands):

2004.....	\$	256
2005.....		114
2006.....		63
2007.....		15
2008.....		3
Thereafter.....		247,885

Total.....	\$248,336	=====

Credit Facility

On May 27, 2003, the Company amended its \$150.0 million revolving credit facility to a \$125.0 million revolving credit facility with a syndicate of lending institutions to be used for working capital, capital

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

expenditures, acquisitions and other corporate purposes that matures May 22, 2006, as amended (the "Credit Facility"). Amounts borrowed under the Credit Facility bear interest at an annual rate equal to either (a) the London interbank offered rate (LIBOR) plus 1.75 percent to 3.50 percent, as determined by the ratio of the Company's total funded debt to EBITDA (as defined in the Credit Facility) or (b) the higher of (i) the bank's prime rate or (ii) the Federal funds rate plus 0.50 percent plus an additional 0.25 percent to 2.00 percent, as determined by the ratio of the Company's total funded debt to EBITDA. Commitment fees of 0.375 percent to 0.50 percent are assessed on any unused borrowing capacity under the Credit Facility. The Company's existing and future subsidiaries guarantee the repayment of all amounts due under the facility, and the facility is secured by the capital stock of those subsidiaries and the accounts receivable of the Company and those subsidiaries. Borrowings under the Credit Facility are limited to 66 2/3% of outstanding receivables (as defined in the agreement). The Credit Facility requires the consent of the lenders for acquisitions exceeding a certain level of cash consideration, prohibits the payment of cash dividends on the common stock, restricts the ability of the Company to repurchase shares of common stock or to retire its Senior Subordinated Notes, restricts the ability of the Company to incur other indebtedness and requires the Company to comply with various affirmative and negative covenants including certain financial covenants, some of which become more restrictive over time. Among other restrictions, the financial covenants include a minimum net worth requirement, a maximum total consolidated funded debt to EBITDA ratio, a maximum senior consolidated debt to EBITDA ratio and a minimum interest coverage ratio. For more information regarding the Covenants to its Credit Facility, as amended, see the Company's filing on Form 8-K dated May 28, 2003. The Company was in compliance with the financial covenants of its Credit Facility, as amended, at September 30, 2003. As of September 30, 2003, the Company had no borrowings outstanding under its Credit Facility, letters of credit outstanding under its Credit Facility of \$27.4 million, \$0.5 million of other borrowings and available borrowing capacity under its Credit Facility of \$97.6 million.

Senior Subordinated Notes

On January 25, 1999 and May 29, 2001, the Company completed offerings of \$150.0 million and \$125.0 million Senior Subordinated Notes, respectively. The offering completed on May 29, 2001 yielded \$117.0 million in proceeds to the Company, net of a \$4.2 million discount and \$3.9 million in offering costs. The proceeds from the May 29, 2001, offering were used primarily to repay amounts outstanding under the Credit Facility. The Senior Subordinated Notes bear interest at 9 3/8% and mature on February 1, 2009. The Company pays interest on the Senior Subordinated Notes on February 1 and August 1 of each year. The Senior Subordinated Notes are unsecured obligations and are subordinated to all existing and future senior indebtedness. The Senior Subordinated Notes are guaranteed on a senior subordinated basis by all of the Company's subsidiaries. Under the terms of the Senior Subordinated Notes, the Company is required to comply with various affirmative and negative covenants including: (i) restrictions on additional indebtedness, and (ii) restrictions on liens, guarantees and dividends. During the year ended September 30, 2002, the Company retired approximately \$27.1 million of these Senior Subordinated Notes. At September 30, 2002, the cost basis of \$15.6 million notional amount of the retired senior subordinated notes were classified as part of accounts payable and accrued expenses as the settlement date occurred subsequent to September 30, 2002. In connection with these transactions, the Company recorded a gain of \$1.0 million during the year ended September 30, 2002. This gain is recorded in interest and other expense, net in accordance with SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which was adopted July 1, 2002.

Interest Rate Swaps

The Company entered into an interest rate swap agreement in August 2001, designated as a fair value hedge, in order to minimize the risks and cost associated with its financing activities. The interest rate swap agreement had a notional amount of \$100.0 million and was established to manage the interest rate risk of the senior

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

subordinated note obligations. Under the swap agreement, the Company paid the counterparty variable rate interest (3-month LIBOR plus 3.49%) and the counterparty paid the Company fixed rate interest of 9.375% on a semiannual basis over the life of the instrument through February 1, 2009. Pursuant to SFAS No. 133, as amended, such interest rate swap contract was reflected at fair value on the Company's consolidated balance sheet and the related portion of fixed-rate debt being hedged was reflected at an amount equal to the sum of its carrying value plus an adjustment representing the change in fair value of the debt obligation attributable to the interest rate being hedged. The net effect of this accounting on the Company's operating results is that interest expense on the portion of fixed-rate debt being hedged was generally recorded based on variable interest rates. The interest rate swap was considered to be perfectly effective because it qualified for the "short-cut" method under SFAS No. 133 and therefore there was no net change in fair value to be recognized in income. At September 30, 2001 the fair value of this derivative was \$3.2 million and was included in other noncurrent assets. The Company terminated this contract in February 2002. The Company received cash equal to the fair value of this derivative of \$1.5 million, which is being amortized over the remaining life of the bonds.

The Company entered into a new interest rate swap agreement in February 2002, designated as a fair value hedge, in order to minimize the risks and cost associated with its financing activities. The interest rate swap agreement had a notional amount of \$100.0 million and was established to manage the interest rate risk of the senior subordinated note obligations. Under the swap agreement, the Company paid the counterparty variable rate interest (3-month trailing LIBOR plus 3.49%) and the counterparty paid the Company fixed rate interest of 9.375% on a semiannual basis over the life of the instrument. Pursuant to SFAS No. 133, as amended, such interest rate swap contract was reflected at fair value on the Company's consolidated balance sheet and the related portion of fixed-rate debt being hedged is reflected at an amount equal to the sum of its carrying value plus an adjustment representing the change in fair value of the debt obligation attributable to the interest rate being hedged. The net effect of this accounting on the Company's operating results was that interest expense on the portion of fixed-rate debt being hedged was generally recorded based on variable interest rates. The interest rate swap was considered to be perfectly effective because it qualified for the "short-cut" method under SFAS No. 133 and therefore there was no net change in fair value to be recognized in income. The Company terminated this contract in August 2002. The Company received cash equal to the fair value of this derivative of \$2.5 million, which is being amortized over the remaining life of the bonds. At September 30, 2002 and 2003 the Company had no outstanding interest rate swap contracts.

The following table presents the balance sheet effect on the Senior Subordinated Notes (in thousands):

SEPTEMBER 30, -----	
----- 2002 2003 -----	
----- Senior	
Subordinated Notes, due	
February 1,	
2009.....	\$247,885
\$247,885 Less: Unamortized	
discount on Senior	
Subordinated Notes.....	
(3,797) (3,198) Add: Fair	
value of interest rate	
hedge.....	
- - Add: Unamortized	
portion of interest rate	
hedge.....	3,847
3,240 -----	
\$247,935 \$247,927 =====	
=====	

8. LEASES:

The Company leases various facilities under noncancelable operating leases. For a discussion of leases with certain related parties see Note 11. Rental expense for the years ended September 30, 2001, 2002 and 2003 was

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

approximately \$10.8 million, \$15.4 million and \$14.6 million respectively. Future minimum lease payments under these noncancelable operating leases with terms in excess of one year are as follows (in thousands):

Year Ended September 30,	
2004.....	\$12,679
2005.....	10,316
2006.....	6,411
2007.....	4,035
2008.....	2,439
Thereafter.....	2,922

Total.....	\$38,802
	=====

9. INCOME TAXES:

Federal and state income tax provisions are as follows (in thousands):

YEAR ENDED SEPTEMBER 30, -----	2001
2002 2003 -----	Federal:
Current.....	\$24,592 \$ -- \$ --
Deferred.....	(2,025) 6,635 7,183 State:
Current.....	6,017 -- --
Deferred.....	(2,913) (460) 996 ----- \$25,671 \$6,175
	\$8,179 =====

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

YEAR ENDED SEPTEMBER 30, -----	2001	2002	2003
Provision at the statutory			
rate.....	\$19,033	\$ 5,638	
\$10,013 Increase resulting from:			
restricted stock compensation charge.....	88	-	-
- Non-deductible			
goodwill.....	4,208	-	-
- State income taxes, net of benefit for federal			
deduction.....	2,018	295	301
Non-deductible			
expenses.....	324	997	
700 Change in valuation			
allowance.....	--	21,885	--
Contingent tax			
liabilities.....	--	16,428	
5,207 Decrease resulting from: Utilization of			
state net operating losses.....	--	(755)	-
- Change in valuation			
allowance.....	--	(7,427)	
Additional tax basis in amortizable			
assets.....	--	(38,313)	(615)
-----	\$25,671	\$ 6,175	\$ 8,179
=====	=====	=====	=====

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

YEAR ENDED SEPTEMBER 30, -----	2002	2003	--
----- Deferred income tax assets: Allowance for doubtful accounts.....	\$ 2,380	\$	
	2,062		
Goodwill.....	34,073	28,509	Accrued
expenses.....			11,758
	5,063		Net operating loss carry forward.....
	10,694	13,104	Various reserves.....
		695	
	1,316		
Other.....	157	1,474	-----
Subtotal.....	59,757	51,528	Less valuation allowance.....
			(34,613)
(27,186) -----			Total deferred income tax assets.....
25,144	24,342	-----	
Deferred income tax liabilities: Property and equipment.....			(3,637)
(4,308) Deferred contract revenue and other.....	(872)	(591)	-----
- Total deferred income tax liabilities.....	(4,509)	(4,899)	-----
-----			Net deferred income tax assets.....
	\$ 20,635	\$ 19,443	=====
	=====		

At September 30, 2002 and 2003, the Company had \$34.1 million and \$28.5 million of deferred income tax asset related to tax deductible goodwill, respectively. The impairment of goodwill recognized upon the adoption of SFAS 142 caused the tax basis in deductible goodwill to exceed book basis by \$38.2 million and resulted in an additional deferred tax asset of \$14.6 million. The income tax effect of the \$14.6 million additional deferred tax asset was included in the cumulative effect of change in accounting principal, net of tax. Subsequent to the adoption of SFAS 142, the Company adopted a tax accounting method change that allowed it to deduct goodwill for income tax purposes that had previously been classified as non-deductible. The tax accounting method change resulted in additional tax basis in deductible goodwill. Tax basis for deductible goodwill related to the tax accounting method change exceeded book basis by \$100.8 million and resulted in the recording of an additional \$38.3 million deferred tax asset. The income tax effect of the \$38.3 million additional deferred tax asset was included in the provision for income taxes. During the year ended September 30, 2002 and September 30, 2003, the Company had income tax return activity that reduced the deferred tax by \$18.5 million and \$5.6 million, respectively. Tax deductible goodwill is amortized over a 15-year period. As of September 30, 2003, approximately 11 years remain to be amortized.

At September 30, 2003, the Company had available approximately \$27.3 million of net tax operating loss carry forwards for federal income tax purposes. This carry forward, which may provide future tax benefits, begins to expire in 2020. The Company also had available approximately \$97.8 million of net tax operating loss carry forwards for state income tax purposes which will begin to expire in 2013.

In assessing the realizability of deferred tax assets at September 30, 2003, the Company considered whether it was more likely than not that some portion or all of the deferred tax assets would not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon these considerations, the Company provided a valuation allowance to reduce the carrying value of certain of its deferred tax assets. Accordingly, valuation allowances of \$25.6 million and \$1.5 million were recorded for deductible goodwill and state net operating losses, respectively. During the year ended September 30, 2003, the Company released \$2.8 million of tax effected valuation allowances because it believes it will now realize the deferred tax assets for which they were established. The Company will evaluate the appropriateness of its remaining valuation allowances on a periodic basis.

The Company has adopted positions that a taxing authority may view differently. The Company believes its reserves of \$26.1 million recorded in other noncurrent liabilities are adequate in the event the positions are not ultimately upheld. The timing of the payment of these reserves is not currently known and would be based on the outcome of a possible review by a taxing authority. Statutes of limitations will begin to expire June 15, 2006 and thereafter.

The net deferred income tax assets and liabilities are comprised of the following (in thousands):

SEPTEMBER 30, -----	2002	2003	-----
Current deferred income taxes:			
Assets.....	\$23,884	\$18,136	
Liabilities.....	(872)	(591)	
Long-term deferred income taxes:			
Assets.....	\$ 1,260	\$ 6,206	
Liabilities.....	(3,637)	(4,308)	
---- Net deferred income tax			
assets.....	\$20,635	\$19,443	
	=====	=====	

10. OPERATING SEGMENTS

The Company follows SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Certain information is disclosed, per SFAS No. 131, based on the way management organizes financial information for making operating decisions and assessing performance.

The Company's reportable segments are strategic business units that offer products and services to two distinct customer groups. They are managed separately because each business requires different operating and marketing strategies. These segments, which contain different economic characteristics, are managed through geographically-based regions.

During 2001, the Company managed and measured performance of its business in four distinct operating segments: commercial and industrial, residential, service and maintenance and communications solutions. During 2002, the Company reorganized its business and measured performance into two distinctive operating segments; commercial and industrial, and residential. As a result of this reorganization, all reporting responsibilities along with operating responsibilities were folded into the commercial and industrial operating segment, and separate and distinct financial information is not reviewed by the chief decision maker for the old service and maintenance and communications solutions segments. Since 2002, the chief decision maker reviews operating results of only two segments: commercial and industrial, and residential. The Company considered this a change in its structure

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

of internal organization, which caused its reportable segments to change and has restated the prior periods in accordance with paragraph 34 of FAS 131.

The commercial and industrial segment provides electrical and communications contracting, design, installation, renovation, engineering and upgrades and maintenance and replacement services in facilities such as office buildings, high-rise apartments and condominiums, theaters, restaurants, hotels, hospitals and critical-care facilities, school districts, manufacturing and processing facilities, military installations, airports, refineries, petrochemical and power plants, outside plant, network enterprise and switch network customers. The residential segment consists of electrical and communications contracting, installation, replacement and renovation services in single family and low-rise multifamily housing units. Corporate includes expenses associated with the Company's home office and regional infrastructure.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on income from operations of the respective business units prior to home office expenses. Management allocates costs between segments for selling, general and administrative expenses, goodwill amortization, depreciation expense, capital expenditures and total assets.

Segment information for the years ended September 30, 2001, 2002 and 2003 are as follows (in thousands):

FISCAL YEAR ENDED SEPTEMBER 30, 2001 -

 ----- COMMERCIAL AND
 INDUSTRIAL RESIDENTIAL CORPORATE TOTAL

Revenues.....	\$1,435,773	\$257,440	\$ --	\$1,693,213
Cost of services.....	1,186,681	198,908	--	1,385,589
Gross profit.....	249,092	58,532	--	307,624
Selling, general and administrative....	137,751			
Goodwill amortization.....	11,478			
Income from operations.....	\$ 26,050	\$(45,345)	\$ 80,568	=====
Other data: Depreciation and amortization expense.....	\$ 24,559	\$ 3,250	\$ 2,536	\$ 30,345
Capital expenditures.....	1,936	7,011	25,801	Total
assets.....	850,182	112,779	70,542	1,033,503

FISCAL YEAR ENDED SEPTEMBER 30, 2002 -

 ----- COMMERCIAL AND
 INDUSTRIAL RESIDENTIAL CORPORATE TOTAL

Revenues.....	\$1,193,391	\$282,039	\$ --	\$1,475,430
Cost of services.....	1,033,478	220,366	--	1,253,844
Gross profit.....	159,913	61,673	--	221,586
Selling, general and administrative....	123,458			
Restructuring charges.....	5,556		--	5,556

	----- Income from			
operations.....				\$ 36,455 \$
	34,620	\$(29,229)	\$ 41,846	=====
	=====	=====	=====	Other
data: Depreciation and amortization				
expense.....				
	\$ 13,921	\$ 885	\$ 3,827	\$ 18,633
		Capital		
expenditures.....				8,301
	753	2,841	11,895	Total
assets.....				
	519,897	89,896	111,846	721,639

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

FISCAL YEAR ENDED SEPTEMBER 30, 2003 -

 COMMERCIAL AND
 INDUSTRIAL RESIDENTIAL CORPORATE TOTAL

Revenues.....					
	\$1,172,386	\$276,167	\$ --	\$1,448,553	
Cost of					
services.....					
	1,023,151	218,179	--	1,241,330	-----
-----					Gross
profit.....					
	149,235	57,988	--	207,223	Selling,
					general and administrative....
	33,110	19,445	153,651		101,096
-----					Income from
operations.....	\$ 48,139	\$			
	24,878	\$(19,445)	\$ 53,572	=====	
	=====	=====	=====	=====	Other
data: Depreciation and amortization					
expense.....					
	\$ 11,419	\$ 1,133	\$ 3,763	\$ 16,315	
Capital					
expenditures.....	5,345				
	891	2,491	8,727	Total	
assets.....					
	505,070	108,204	112,900	726,174	

The Company does not have significant operations or long-lived assets in countries outside of the United States.

11. STOCKHOLDERS' EQUITY:

Restricted Voting Common Stock

The shares of restricted voting common stock have rights similar to shares of common stock except that such shares are entitled to elect one member of the board of directors and to not otherwise vote with respect to the election of directors and are entitled to one-half of one vote for each share held on all other matters. Each share of restricted voting common stock will convert into common stock upon disposition by the holder of such shares.

During the year ended September 30, 2003, the Company completed a 2 million share repurchase program. The Company used approximately \$10.2 million in cash generated from operations to repurchase shares during the year ended September 30, 2003 for this program.

1997 Stock Plan

In September 1997, the Company's board of directors and stockholders approved the Company's 1997 Stock Plan (the "Plan"), which provides for the granting or awarding of incentive or nonqualified stock options, stock appreciation rights, restricted or phantom stock and other incentive awards to directors, officers, key employees and consultants of the Company. The number of shares authorized and reserved for issuance under the Plan is 15 percent of the aggregate number of shares of common stock outstanding. The terms of the option awards will be established by the compensation committee of the Company's board of directors. Options generally expire 10 years from the date of grant, one year following termination of employment due to death or disability, or three months following termination of employment by means other than death or disability.

Directors' Stock Plan

In September 1997, the Company's board of directors and stockholders approved the 1997 Directors' Stock Plan (the "Directors' Plan"), which provides for the granting or awarding of stock options to nonemployee directors. In May 2000, the Company's board of directors amended the Directors' Plan. The number of shares authorized and reserved for issuance under the Directors' Plan is 250,000 shares. Each nonemployee director is granted options to purchase 3,000 shares at the time of an initial election of such director. In addition, each director will be automatically granted options to purchase 3,000 shares annually at each September 30 on which such director remains a director. All options have an exercise price based on the fair market value at the date of

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

grant, are immediately vested and expire 10 years from the date of the grant. In the event that the director ceases to serve as a member of the board for any reason the options must be exercised within one year.

1999 Incentive Compensation Plan

In November 1999, the Company's board of directors adopted the 1999 Incentive Compensation Plan (the "1999 Plan"). The 1999 Plan, as amended, authorizes the Compensation Committee of the Board of Directors or the Board of Directors to grant eligible participants of the Company awards in the form of options, stock appreciation rights, restricted stock or other stock based awards. The Company has up to 5.5 million shares of common stock authorized for issuance under the 1999 Plan.

In March 2000, the Company granted 400,000 restricted stock awards under its stock plan to an employee. This award vested in equal installments on March 20th of each year through 2004, provided the recipient was still employed by the Company. The market value of the underlying stock on the date of grant for this award was \$2.3 million, which was recognized as compensation expense over the related vesting periods. During the year ended September 30, 2001, the Company amortized \$0.6 million to expense in connection with this award. The award became fully vested and was fully amortized during the year ended September 30, 2002.

The following table summarizes activity under the Company's stock option and incentive compensation plans:

WEIGHTED AVERAGE SHARES	EXERCISE PRICE	-----	----
-----	Outstanding, September 30,		
2000.....	5,446,295	\$12.02	-----
	-----	Options	
Granted.....			
	2,251,199	5.76	Restricted Stock
Granted.....		43,783	0.00
Exercised.....			
	(157,004)	0.47	Forfeited and
Cancelled.....		(655,152)	
13.04	-----	-----	Outstanding, September 30,
2001.....	6,929,121	\$10.06	
	=====	=====	Options
Granted.....			
	2,073,069	4.60	
Exercised.....			
	(434,471)	1.51	Forfeited and
Cancelled.....		(2,033,039)	
8.33	-----	-----	Outstanding, September 30,
2002.....	6,534,680	\$ 9.39	
	=====	=====	Options
Granted.....		21,000	
		6.90	
Exercised.....			
	(392,273)	5.32	Forfeited and
Cancelled.....		(800,566)	
12.20	-----	-----	Outstanding, September 30,
2003.....	5,362,841	\$ 9.28	
	=====	=====	Exercisable, September 30,
2001.....	2,626,988	\$12.23	
	=====	=====	Exercisable, September 30,
2002.....	3,314,864	\$11.70	
	=====	=====	Exercisable, September 30,
2003.....	3,747,774	\$10.93	
	=====	=====	

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The table below summarizes options outstanding and exercisable at September 30, 2003:

WEIGHTED-AVERAGE RANGE OF OUTSTANDING AS OF REMAINING WEIGHTED-AVERAGE EXERCISABLE AS OF WEIGHTED-AVERAGE EXERCISE PRICES SEPTEMBER 30, 2003 CONTRACTUAL LIFE EXERCISE PRICE SEPTEMBER 30, 2003 EXERCISE PRICE - - - -
- \$ 0.0000-\$
4.6240... 810,500
6.8 \$ 3.71 282,176 \$
3.71 \$ 4.6250-\$
6.9000... 2,169,629
7.3 \$ 5.56 1,191,720
\$ 5.67 \$
6.9100-\$10.3000...
39,920 4.8 \$ 9.03
28,120 \$ 9.16
\$10.3100-\$15.4000...
1,822,843 4.8 \$13.67
1,766,749 \$13.69
\$15.4100-\$22.1250...
519,949 4.8 \$18.12
479,009 \$18.16 - - - -
- - - - -
5,362,841 6.1 \$ 9.28
3,747,774 \$10.93
=====
=====

Options granted during the years ended September 30, 2001, 2002 and 2003 had weighted average fair values per option of \$3.55, \$1.91 and \$3.63, respectively.

Unexercised options expire at various dates from January 27, 2008 through September 30, 2012.

Employee Stock Purchase Plan

In February 2000, the Company's stockholders approved the Company's Employee Stock Purchase Plan (the "ESPP"), which provides for the sale of common stock to participants as defined at a price equal to the lower of 85% of the Company's closing stock price at the beginning or end of the option period, as defined. The number of shares of common stock authorized and reserved for issuance under the ESPP is 1.0 million shares. The purpose of the ESPP is to provide an incentive for employees of the Company to acquire a proprietary interest in the Company through the purchase of shares of the Company's common stock. The ESPP is intended to qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). The provisions of the ESPP are construed in a manner to be consistent with the requirements of that section of the Code. During the years ended September 30, 2001, 2002 and 2003, the Company issued 207,642, 55,742 and 248,982 shares pursuant to the ESPP, respectively. For purposes of SFAS No. 123, "Accounting for Stock-Based Compensation," estimated compensation cost as it relates to the ESPP was computed for the fair value of the employees' purchase rights using the Black-Scholes option pricing model with the following assumptions for 2001: expected dividend yield of 0.00%, expected stock price volatility of 60.99%, weighted average risk free interest rate of 5.15% and an expected life of 0.5 years. The weighted average fair value per share of these purchase rights granted in 2001 was approximately \$1.52. The following assumptions were used for 2002: expected dividend yield of 0.00%, expected stock price volatility of

81.56%, weighted average risk free interest rate of 3.96% and an expected life of 0.5 years. The weighted average fair value per share of these purchase rights granted in 2002 was approximately \$1.54. The following assumptions were used for 2003: expected dividend yield of 0.00%, expected stock price volatility of 51.94%, weighted average risk free interest rate of 3.21% and an expected life of 0.5 years. The weighted average fair value per share of these purchase rights granted in 2003 was approximately \$0.89.

12. RELATED-PARTY TRANSACTIONS:

The Company has transactions in the normal course of business with certain affiliated companies. The Company has a note receivable from an affiliate, EPV, of \$1.8 million as of September 30, 2002 and 2003. Amounts due from other related parties at September 30, 2002 and 2003 were \$0.2 million and \$0.1 million, respectively. In connection with certain of the acquisitions, subsidiaries of the Company have entered into a number of related party lease arrangements for facilities. These lease agreements are for periods generally ranging from three to five years. Related party lease expense for the years ended September 30, 2001, 2002 and 2003 were \$4.3 million, \$4.2 million and \$4.2 million, respectively. Future commitments with respect to these leases are included in the schedule of minimum lease payments in note 8.

13. EMPLOYEE BENEFIT PLANS:

In November 1998, the Company established the Integrated Electrical Services, Inc. 401(k) Retirement Savings Plan (the "401(k) Plan"). All IES employees are eligible to participate on the first day of the month subsequent to completing sixty days of service and attaining age twenty-one. Participants become vested in Company matching contributions following three years of service.

Certain subsidiaries of the Company do not participate in the 401(k) Plan, but instead provide various defined contribution savings plans for their employees (the "Plans"). The Plans cover substantially all full-time employees of such subsidiaries. Participants vest at varying rates ranging from full vesting upon participation to those that provide for vesting to begin after three years of service and are fully vested after eight years. Certain plans provide for a deferral option that allows employees to elect to contribute a portion of their pay into the plan and provide for a discretionary profit sharing contribution by the individual subsidiary. Generally the subsidiaries match a portion of the amount deferred by participating employees. Contributions for the profit sharing portion of the Plans are generally at the discretion of the individual subsidiary. The aggregate contributions by the Company to the 401(k) Plan and the Plans were \$3.4 million, \$3.0 million and \$3.0 million for the years ended September 30, 2001, 2002 and 2003, respectively.

14. COMMITMENTS AND CONTINGENCIES:

The Company and its subsidiaries are involved in various legal proceedings that have arisen in the ordinary course of business. While it is not possible to predict the outcome of such proceedings with certainty and it is possible that the results of legal proceedings may materially adversely affect us, in the opinion of the Company, all such proceedings are either adequately covered by insurance or, if not so covered, should not ultimately result in any liability which would have a material adverse effect on the financial position, liquidity or results of operations of the Company. The Company expenses routine legal costs related to such proceedings as incurred.

Some of the Company's customers require the Company to post letters of credit as a means of guaranteeing performance under its contracts and ensuring payment by the Company to subcontractors and vendors. If the customer has reasonable cause to effect payment under a letter of credit, the Company would be required to reimburse its creditor for the letter of credit. Depending on the circumstances surrounding a reimbursement to its creditor, the Company may have a charge to earnings in that period. To date the Company has not had a situation where a customer has had reasonable cause to effect payment under a letter of credit. At September 30, 2003, \$1.7 million of the Company's outstanding letters of credit were to collateralize its customers.

Some of the underwriters of the Company's casualty insurance program require it to post letters of credit as collateral. This is common in the insurance industry. To date the Company has not had a situation where an underwriter has had reasonable cause to effect payment under a letter of credit. At September 30, 2003, \$25.7 million of the Company's outstanding letters of credit were to collateralize its insurance program.

Many of the Company's customers require us to post performance and payment bonds issued by a surety. Those bonds guarantee the customer that the Company will perform under the terms of a contract and that it will pay its subcontractors and vendors. In the event that the Company fails to perform under a contract or pay subcontractors and vendors, the customer may demand the surety to pay or perform under the Company's bond. The Company's relationship with its sureties is such that it will indemnify the sureties for any expenses they incur in connection with any of the bonds they issues on the Company's behalf. To date, the Company has not incurred significant expenses to indemnify its sureties for expenses they incurred on the Company's behalf. As of September 30, 2003, the Company's cost to complete projects covered by surety bonds was approximately \$227.9 million.

The Company has committed to invest up to \$5.0 million in EnerTech Capital Partners II L.P. ("EnerTech"). EnerTech is a private equity firm specializing in investment opportunities emerging from the deregulation and

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

resulting convergence of the energy, utility and telecommunications industries. Through September 30, 2003, the Company had invested \$2.7 million under its commitment to EnerTech.

At September 30, 2003, the Company had reserves of \$26.1 million recorded in other noncurrent liabilities for tax positions adopted that a taxing authority may view differently. The Company believes these reserves are adequate in the event the positions are not ultimately upheld. The timing of the payments of these reserves is not currently known and would be based on the outcome of a possible review by a taxing authority.

15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED):

Quarterly financial information for the years ended September 30, 2002 and 2003 are summarized as follows (in thousands, except per share data):

FISCAL YEAR ENDED SEPTEMBER 30, 2002 -----				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER

Revenues.....	\$ 375,179	\$356,481	\$374,819	\$368,951
	Gross			
profit.....	\$ 57,229	\$ 54,701	\$ 58,491	\$ 51,165
income before cumulative effect of change in accounting principle.....	\$ (1,813)	\$ 2,066	\$ 7,477	\$ 2,203
Cumulative effect of change in accounting principle.....	\$(283,284) \$ -- \$ -- \$ --			
income.....	\$(285,097)	\$ 2,066	\$ 7,477	\$ 2,203
Basic earnings (loss) per share: Before cumulative effect of change in accounting principle.....	\$ 0.05	\$ 0.19	\$ 0.06	\$ 0.00
Cumulative effect of change in accounting principle.....	\$(7.13) \$ 0.00 \$ 0.00 \$ 0.00			
Basic earnings (loss) per share.....	\$ (7.17)	\$ 0.05	\$ 0.19	\$ 0.06
Diluted earnings (loss) per share: Before cumulative effect of change in accounting principle.....	\$ (0.04)	\$ 0.05	\$ 0.19	\$ 0.06
Cumulative effect of change in accounting principle.....	\$(7.13) \$ 0.00 \$ 0.00 \$ 0.00			
Diluted earnings (loss) per share.....	\$ (7.17)	\$ 0.05	\$ 0.19	\$ 0.06

FISCAL YEAR ENDED SEPTEMBER 30, 2003 -----				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER

Revenues.....	\$348,577	\$343,135	\$375,339	\$381,502
	Gross			
profit.....	\$ 51,356	\$ 49,105	\$ 53,409	\$ 53,353
income.....	\$ 3,807	\$ 3,369	\$ 5,411	\$ 7,843
Earnings per share:				
Basic.....	\$ 0.10	\$ 0.09	\$ 0.14	\$ 0.20
Diluted.....	\$ 0.10	\$ 0.09	\$ 0.14	\$ 0.20

The sum of the individual quarterly earnings per share amounts may not agree with year-to-date earnings per share as each period's computation is based on the weighted average number of shares outstanding during the period.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of September 30, 2003, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of September 30, 2003 in providing reasonable assurances that material information required to be disclosed is included on a timely basis in the reports it files with the Securities and Exchange Commission.

Since the date of the evaluation, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is incorporated by reference to the sections entitled "Management" and Section 16(a) of the Securities Exchange Act of 1934, and "Directors" in the Company's definitive Proxy Statement for its 2004 Annual Meeting of Stockholders (the "Proxy Statement") to be filed with the Securities and Exchange Commission no later than January 28, 2004.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the section entitled "Executive Compensation" in the Proxy Statement. Nothing in this report shall be construed to incorporate by reference the Board Compensation Committee Report on Executive Compensation or the Performance Graph, which are contained in the Proxy Statement, but expressly not incorporated herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to the section entitled "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the section entitled "Certain Relationships and Other Transactions" in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the section entitled "Audit Fees" in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements and Supplementary Data, Financial Statement Schedules and Exhibits.

See Index to Financial Statements under Item 8 of this report.

(b) Exhibits.

- 3.1 Amended and Restated Certificate of Incorporation as amended. (Incorporated by reference to 3.1 to the Registration Statement on Form S-1 (File No. 333-38715) of the Company)
- 3.2 Bylaws, as amended (Incorporated by reference to 3.2 to the Registration Statement on Form S-4 (File No. 333-65160) of the Company)
- 4.1 Specimen Common Stock Certificate. (Incorporated by reference to 4.1 to the Registration Statement on Form S-1 (File No. 333-38715) of the Company)
- 4.2 Indenture, dated January 28, 1999, by and among Integrated Electrical Services, Inc. and the subsidiaries named therein and State Street Bank and Trust Company covering up to \$150,000,000 9 3/8% Senior Subordinated Notes due 2009. (Incorporated by reference to Exhibit 4.2 to Post-Effective Amendment No. 3 to the Registration Statement on Form S-4 (File No. 333-50031) of the Company)
- 4.3 Form of Integrated Electrical Services, Inc. 9 3/8% Senior Subordinated Note due 2009 (Series A) and (Series B). (Included in Exhibit A to Exhibit 4.2 to Post-Effective Amendment No. 3 to the Registration Statement on Form S-4 (File No. 333-50031) of the Company)
- 4.4 Indenture, dated May 29, 2001, by and among Integrated Electrical Services, Inc. and the subsidiaries named therein and State Street Bank and Trust Company covering up to \$125,000,000 9 3/8% Senior Subordinated Notes due 2009. (Incorporated by reference to Exhibit 4.3 to Registration Statement on Form S-4 (File No. 333-65160) of the Company)
- 4.5 Form of Integrated Electrical Services, Inc. 9 3/8% Senior Subordinated Note due 2009 (Series C) and (Series D). (Included in Exhibit A to Exhibit 4.3 to Registration Statement on Form S-4 (File No. 333-65160) of the Company)
- *10.1 Form of Amended and Restated Employment Agreement between the Company and H. Roddy Allen entered into effect as of January 30, 2003.
- *10.2 Form of Amended and restated Employment Agreement between the Company and Richard L. China entered into effective as of August 12, 2003.
- *10.3 Form of Amended and restated Employment Agreement either currently in force or to be entered into between the Company and direct reports to the Chief Executive Officer (other than the Chief Operating Officer).
- 10.4 Form of Officer and Director Indemnification Agreement. (Incorporated by reference to exhibit 10.2 to the Company's Annual report on Form 10-K for the year ended September 30, 2002)
- 10.5 Integrated Electrical Services, Inc. 1997 Stock Plan, as amended. (Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended September 30, 2001)
- 10.6 Integrated Electrical Services, Inc. 1997 Directors' Stock Plan. (Incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended September 30, 2000)
- 10.7 Credit Agreement dated May 22, 2001, among the Company, as borrower, the Financial Institutions named therein, as banks, Credit Lyonnais and the Bank of Nova Scotia as syndication agents, Toronto Dominion (Texas), Inc. as documentation agent and the Chase Manhattan Bank, as administrative agent. (Incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-4 (File No. 333-65160) of the Company)
- 10.8 Amendment No. 1 dated June 20, 2001, to the Credit Agreement dated May 22, 2001, among the Company, as borrower, the Financial Institutions named therein, as banks, Credit Lyonnais and the Bank of Nova Scotia as syndication agents, Toronto Dominion (Texas), Inc. as documentation agent and the Chase Manhattan Bank, as administrative agent. (Incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended September 30, 2001)

- 10.9 Amendment No. 2 dated November 30, 2001, to the Credit Agreement dated May 22, 2001, among the Company, as borrower, the Financial Institutions named therein, as banks, Credit Lyonnais and the Bank of Nova Scotia as syndication agents, Toronto Dominion (Texas), Inc. as documentation agent and the JP Morgan Chase Bank, as administrative agent. (Incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended September 30, 2001)
- 10.10 Integrated Electrical Services, Inc. 1999 Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended September 30, 2000)
- 10.11 Amendment No. 3 dated February 4, 2002, to the Credit Facility dated May 22, 2001, among the Company, as borrower, the Financial Institutions named therein, as banks, Credit Lyonnais and the Bank of Nova Scotia as syndication agents, Toronto Dominion (Texas), Inc. as documentation agent and the JP Morgan Chase Bank, as administrative agent. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2002)
- 10.12 Amendment No. 4 dated July 12, 2002, to the Credit Agreement dated May 22, 2001, among the Company, as borrower, the financial Institutions named therein, as banks, Credit Lyonnais and the Bank of Nova Scotia as syndication agents, Toronto Dominion (Texas), Inc. as documentation agent and the JP Morgan Chase Bank, as administrative agent. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2002)
- 10.13 Amendment No. 5 dated May 27, 2003, to the Credit Agreement dated May 22, 2001, among the Company, as borrower, the financial Institutions named therein, as banks, Credit Lyonnais and the Bank of Nova Scotia as syndication agents, Toronto Dominion (Texas), Inc. as documentation agent and the JP Morgan Chase Bank, as administrative agent. (incorporated by reference to Exhibit 10.1 to the Company's Current report on Form 8-K filed May 28, 2003)
- *12 Ratio of Earnings to Fixed Charges.
- 16.1 Letter of Arthur Andersen LLP regarding a change in certifying accountant. (Incorporated by reference to Exhibit 16.1 to the Company's Current Report on Form 8-K (File No. 011-13783) filed June 10, 2002)
- *21.1 Subsidiaries of the Registrant.
- *23.1 Consent of Ernst & Young LLP
- *24 Powers of Attorney
- *31.1 Certification of Herbert R. Allen, Chief Executive Officer, pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.
- *31.2 Certification of William W. Reynolds, Chief Financial Officer, pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.
- *32.1 Certification of Herbert R. Allen, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- *32.2 Certification of William W. Reynolds, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- - - - -

* Filed herewith.

(c) Reports on Form 8-K.

On August 20, 2003 the Company filed a Current Report on Form 8-K in connection with its press release dated August 20, 2003.

On September 17, 2003 the Company filed a Current Report on Form 8-K in connection with its press release dated September 16, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 24, 2003.

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ HERBERT R. ALLEN*

Herbert R. Allen
President and Chief Executive
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on November 24, 2003.

SIGNATURE
TITLE -----

- /s/
HERBERT R.
ALLEN*
President,
Chief
Executive
Officer
and -----

Director
Herbert R.
Allen /s/
RONALD P.
BADIE*
Director -

Ronald P.
Badie /s/
RICHARD
CHINA*
Director -

Richard
China /s/
DONALD
PAUL
HODEL*
Director -

Donald
Paul Hodel
/s/ ALAN
R.
SIELBECK*
Director -

Alan R.

Sielbeck
/s/ C.
BYRON
SNYDER*
Chairman
of the
Board of
Directors

-- C.
Byron
Snyder /s/
DONALD C.
TRAUSCHT*
Director -

Donald C.
Trauscht
/s/ JAMES
D. WOODS*
Director -

James D.
Woods /s/
WILLIAM W.
REYNOLDS
Chief
Financial
Officer -

William W.
Reynolds
/s/ DAVID
A. MILLER*
Chief
Accounting
Officer -

David A.
Miller
*By: /s/
WILLIAM W.
REYNOLDS -

William W.
Reynolds
as
attorney
in fact
for each
of the
persons
indicated.

INDEX TO EXHIBITS

NO. DESCRIPTION

- 3.1 Amended and Restated Certificate of Incorporation as amended. (Incorporated by reference to 3.1 to the Registration Statement on Form S-1 (File No. 333-38715) of the Company)
- 3.2 Bylaws, as amended (Incorporated by reference to 3.2 to the Registration Statement on Form S-4 (File No. 333-65160) of the Company)
- 4.1 Specimen Common Stock Certificate. (Incorporated by reference to 4.1 to the Registration Statement on Form S-1 (File No. 333-38715) of the Company)
- 4.2 Indenture, dated January 28, 1999, by and among Integrated Electrical Services, Inc. and the subsidiaries named therein and State Street Bank and Trust Company covering up to \$150,000,000 9 3/8% Senior Subordinated Notes due 2009. (Incorporated by reference to Exhibit 4.2 to Post-Effective Amendment No. 3 to the Registration Statement on Form S-4 (File No. 333-50031) of the Company)
- 4.3 Form of Integrated Electrical Services, Inc. 9 3/8% Senior Subordinated Note due 2009 (Series A) and (Series B). (Included in Exhibit A to

Exhibit 4.2 to
Post-Effective
Amendment No. 3

to the

Registration
Statement on
Form S-4 (File
No. 333-50031)
of the Company)

4.4 Indenture,
dated May 29,
2001, by and
among

Integrated
Electrical
Services, Inc.
and the
subsidiaries
named therein
and State

Street Bank and
Trust Company
covering up to
\$125,000,000 9
3/8% Senior
Subordinated
Notes due 2009.

(Incorporated
by reference to
Exhibit 4.3 to
Registration
Statement on
Form S-4 (File
No. 333-65160)
of the Company)

4.5 Form of
Integrated
Electrical
Services, Inc.
9 3/8% Senior
Subordinated
Note due 2009
(Series C) and
(Series D).

(Included in
Exhibit A to
Exhibit 4.3 to
Registration
Statement on
Form S-4 (File
No. 333-65160)
of the Company)

*10.1 Form of
Amended and
Restated
Employment
Agreement
between the
Company and H.
Roddy Allen
entered into
effect as of
January 30,
2003. *10.2

Form of Amended
and restated
Employment
Agreement
between the
Company and
Richard L.

China entered
into effective
as of August
12, 2003. *10.3

Form of Amended
and restated
Employment
Agreement
either
currently in

force or to be entered into between the Company and direct reports to the Chief Executive Officer (other than the Chief Operating Officer). 10.4 Form of Officer and Director Indemnification Agreement.

(Incorporated by reference to exhibit 10.2 to the Company's Annual report on Form 10-K for the year ended September 30, 2002) 10.5

Integrated Electrical Services, Inc. 1997 Stock Plan, as amended.

(Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended September 30, 2001) 10.6

Integrated Electrical Services, Inc. 1997 Directors' Stock Plan.

(Incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended September 30, 2000) 10.7

Credit Agreement dated May 22, 2001, among the Company, as borrower, the Financial Institutions named therein, as banks, Credit Lyonnais and the Bank of Nova Scotia as syndication agents, Toronto Dominion (Texas), Inc. as documentation agent and the Chase Manhattan Bank, as administrative agent.

(Incorporated by reference to Exhibit 10.12 to the

Registration
Statement on
Form S-4 (File
No. 333-65160)
of the Company)
10.8 Amendment
No. 1 dated
June 20, 2001,
to the Credit
Agreement dated
May 22, 2001,
among the
Company, as
borrower, the
Financial
Institutions
named therein,
as banks,
Credit Lyonnais
and the Bank of
Nova Scotia as
syndication
agents, Toronto
Dominion
(Texas), Inc.
as
documentation
agent and the
Chase Manhattan
Bank, as
administrative
agent.

(Incorporated
by reference to
Exhibit 10.6 to
the Company's
Annual Report
on Form 10-K
for the year
ended September
30, 2001) 10.9
Amendment No. 2
dated November
30, 2001, to
the Credit
Agreement dated
May 22, 2001,
among the
Company, as
borrower, the
Financial
Institutions
named therein,
as banks,
Credit Lyonnais
and the Bank of
Nova Scotia as
syndication
agents, Toronto
Dominion
(Texas), Inc.
as
documentation
agent and the
JP Morgan Chase
Bank, as
administrative
agent.

(Incorporated
by reference to
Exhibit 10.7 to
the Company's
Annual Report
on Form 10-K
for the year
ended September
30, 2001) 10.10
Integrated
Electrical
Services, Inc.
1999 Incentive

Compensation
Plan.
(Incorporated
by reference to
Exhibit 10.11
to the
Company's
Annual Report
on Form 10-K
for the year
ended September
30, 2000)

NO.

DESCRIPTION -

- 10.11

Amendment No.

3 dated

February 4,
2002, to the

Credit

Facility

dated May 22,

2001, among

the Company,

as borrower,

the Financial

Institutions

named

therein, as

banks, Credit

Lyonnais and

the Bank of

Nova Scotia

as

syndication

agents,

Toronto

Dominion

(Texas), Inc.

as

documentation

agent and the

JP Morgan

Chase Bank,

as

administrative

agent.

(Incorporated

by reference

to Exhibit

10.1 to the

Company's

Quarterly

Report on

Form 10-Q for

the period

ended

December 31,

2002) 10.12

Amendment No.

4 dated July

12, 2002, to

the Credit

Agreement

dated May 22,

2001, among

the Company,

as borrower,

the financial

Institutions

named

therein, as

banks, Credit

Lyonnais and

the Bank of

Nova Scotia

as

syndication

agents,

Toronto

Dominion

(Texas), Inc.

as

documentation

agent and the

JP Morgan

Chase Bank,

as

administrative

agent.
(Incorporated
by reference
to Exhibit
10.1 to the
Company's
Quarterly
Report on
Form 10-Q for
the period
ended June
30, 2002)
10.13
Amendment No.
5 dated May
27, 2003, to
the Credit
Agreement
dated May 22,
2001, among
the Company,
as borrower,
the financial
Institutions
named
therein, as
banks, Credit
Lyonnais and
the Bank of
Nova Scotia
as
syndication
agents,
Toronto
Dominion
(Texas), Inc.
as
documentation
agent and the
JP Morgan
Chase Bank,
as
administrative
agent.
(incorporated
by reference
to Exhibit
10.1 to the
Company's
Current
report on
Form 8-K
filed May 28,
2003) *12
Ratio of
Earnings to
Fixed
Charges. 16.1
Letter of
Arthur
Andersen LLP
regarding a
change in
certifying
accountant.
(Incorporated
by reference
to Exhibit
16.1 to the
Company's
Current
Report on
Form 8-K
(File No.
011-13783)
filed June
10, 2002)
*21.1
Subsidiaries
of the
Registrant.

*23.1 Consent
of Ernst &
Young LLP *24
Powers of
Attorney

*31.1

Certification
of Herbert R.
Allen, Chief
Executive
Officer,
pursuant to
18 U.S.C.
Section 1350,
as adopted to
Section 302
of The
Sarbanes-
Oxley Act of
2002. *31.2

Certification
of William W.
Reynolds,
Chief
Financial
Officer,
pursuant to
18 U.S.C.

Section 1350,
as adopted to
Section 302
of The
Sarbanes-
Oxley Act of
2002. *32.1

Certification
of Herbert R.
Allen, Chief
Executive
Officer,
pursuant to
Section 906
of the
Sarbanes-
Oxley Act of
2002. *32.2

Certification
of William W.
Reynolds,
Chief
Financial
Officer,
pursuant to
Section 906
of the
Sarbanes-
Oxley Act of
2002.

- - - - -

* Filed herewith.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the "Agreement") by and between Integrated Electrical Services, Inc., a Delaware corporation (the "Company"), and H.R. Allen ("Executive") is hereby entered into effective as of this 30th day of January, 2003 (the "Effective Date").

RECITALS

The following statements are true and correct:

WHEREAS, the Company and Executive previously entered into an employment agreement dated as of the 22nd day of May, 1998; and

WHEREAS, this agreement was amended by the First Amendment dated as of the 18th day of December, 2001; and

WHEREAS, the parties to the original agreement as amended, deem it desirable to further amend and restate the agreement to provide additional provisions and amend existing provisions;

As of the Effective Date, IES and the other subsidiaries of IES (collectively, the "IES Companies") are engaged primarily in the providing of electrical contracting services.

Executive is employed hereunder by the Company in a confidential relationship wherein Executive, in the course of his employment with the Company, has and will continue to become familiar with and aware of information as to the Company's customers and specific manner of doing business, including the processes, techniques and trade secrets utilized by the Company, and future plans with respect thereto, all of which has been and will be established and maintained at great expense to the Company. This information is a trade secret and constitutes the valuable goodwill of the Company.

Therefore, in consideration of the mutual promises, terms, covenants and conditions set forth herein and the performance of each, the agreement, as amended, is hereby amended and restated as follows:

AGREEMENTS

1. Employment and Duties. (a) The Company employs Executive as Chief Executive Officer of the Company. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of and consistent with Executive's position as Chief Executive Officer of the Company. Executive hereby accepts this employment upon the terms and conditions herein contained and, subject to paragraph 1(c), agrees to devote substantially all of his time, attention and efforts to promote and further the business and interests of the Company and its affiliates.

(b) Executive shall faithfully adhere to, execute and fulfill all lawful policies established by the Company.

(c) Except as set forth on Schedule 1(c) hereto, Executive shall not, during the term of his employment hereunder, engage in any other business activity pursued for gain, profit or other pecuniary advantage if such activity interferes in any material respect with Executive's duties and responsibilities hereunder. The foregoing limitations shall not be construed as prohibiting Executive from making personal investments in such form or manner as will neither require his services in the operation or affairs of the companies or enterprises in which such investments are made nor violate the terms of paragraph 3 hereof.

(d) Executive shall be entitled to vacation in accordance with the policies of the Company.

2. Compensation. For all services rendered by Executive, the Company shall compensate Executive as follows:

(a) Base Salary. The base salary payable to Executive during the term shall be \$475,000 per year, payable in accordance with the Company's payroll procedures for officers, but not less frequently than monthly. Such base salary may be increased from time to time, at the discretion of the Board of Directors of IES (the "IES Board"), in light of the Executive's position, responsibilities and performance.

(b) Executive Perquisites, Benefits and Other Compensation. Executive shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Reimbursement for all business travel and other out-of-pocket expenses (including those costs to maintain any professional certifications held or obtained by Executive) reasonably incurred by Executive in the performance of his duties pursuant to this Agreement and in accordance with the Company's policy for executives of the Company. All such expenses shall be appropriately documented in reasonable detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(ii) Executive shall, subject to the satisfaction of any general eligible criteria, be eligible to participate in all compensation and benefit plans and programs as are maintained from time to time for executives of the Company.

(iii) The Company shall provide Executive with such other perquisites as may be deemed appropriate for Executive by the IES Board.

3. Non-Competition Agreement.

(a) Executive recognizes that the Company's willingness to enter into this Agreement is based in material part on Executive's agreement to the provisions of this paragraph 3 and that Executive's breach of the provisions of this paragraph 3 could materially damage the Company. Subject to the further provisions of this Agreement, Executive will not, during the term of his employment with the Company, and for a period of two years immediately following the termination of such for any reason whatsoever, either for Cause or in the event the Executive terminates his employment without Good Reason, except as may be set forth herein, directly or indirectly, for himself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any electrical contracting business in direct competition with any IES Company within 100 miles of where any IES Company conducts business, including any territory serviced by an IES Company during the term of Executive's employment (the "Territory");

(ii) call upon any person who is, at that time, an employee of an IES Company for the purpose or with the intent of enticing such employee away from or out of the employ of the IES Company;

(iii) call upon any person or entity which is, at that time, or which has been, within one year prior to that time, a customer of an IES Company within the Territory for the purpose of soliciting or selling electrical contracting products or services in direct competition with the IES Companies within the Territory; or

(iv) call upon any prospective acquisition candidate, on Executive's own behalf or on behalf of any competitor, which candidate was, to Executive's knowledge after due inquiry, either called upon by an IES Company or for which an IES Company made an acquisition analysis, for the purpose of acquiring such entity.

(v) disclose customers, whether in existence or proposed, of the Company to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the Company has in the past disclosed such information to the public for valid

business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than 1% of the capital stock of a competing business, whose stock is traded on a national securities exchange, the Nasdaq Stock Market or on an over-the-counter or similar market, unless the Board of Directors of the Company consents to such acquisition.

(b) Because of the difficulty of measuring economic losses to the Company and IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to the Company and IES for which they would have no other adequate remedy, Executive agrees that foregoing covenant may be enforced by the Company, in the event of breach by him, by injunctions and restraining orders. Executive further agrees to waive any requirement for the Company's securing or posting of any bond in connection with such remedies.

(c) It is agreed by the parties that the foregoing covenants in this paragraph 3 impose a reasonable restraint on Executive in light of the activities and business of the IES Companies on the date of the execution of this Agreement and the current plans of the IES Companies; but it is also the intent of the Company and Executive that such covenants be construed and enforced in accordance with the changing activities, business and locations of the IES Companies throughout the term of this covenant, whether before or after the date of termination of the employment of Executive, unless the Executive was conducting such new business prior to any IES Company conducting such new business. For example, if, during the term of this Agreement, an IES Company engages in new and different activities, enters a new business or establishes new locations for its current activities or business in addition to or other than the activities or business enumerated under the Recitals above or the locations currently established therefore, then Executive will be precluded from soliciting the customers or employees of such new activities or business or from such new location and from directly competing with such new business within 100 miles of its then-established operating location(s) through the term of this covenant, unless the Executive was conducting such new business prior to any IES Company conducting such new business.

(d) It is further agreed by the parties hereto that, in the event that Executive shall cease to be employed hereunder and shall enter into a business or pursue other activities not in competition with the electrical contracting activities of the IES Companies or similar activities or business in locations the operation of which, under such circumstances, does not violate clause (a)(i) of this paragraph 3, and in any event such new business, activities or location are not in violation of this paragraph 3 or of Executive's obligations under this paragraph 3, if any, Executive shall not be chargeable with a violation of this paragraph 3 if the IES Companies shall thereafter enter the same, similar or a competitive (i) business, (ii) course of activities or (iii) location, as applicable.

(e) The covenants in this paragraph 3 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

(f) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company or IES, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES or the Company of such covenants. It is specifically agreed that the period of two years (subject to the further provisions of this Agreement) following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

(g) The Company and the Stockholders hereby agree that this covenant is a material and substantial part of this transaction.

4. Term; Termination; Rights on Termination. The term of this Agreement shall begin on the Effective Date and continue for three years (the "Initial Term") and, unless terminated sooner as herein

provided, shall continue on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal (the "Extended Term"). This Agreement and Executive's employment may be terminated in any one of the following ways:

(a) Notice of Non-Renewal. This amended and restated agreement may be terminated by the Company by serving notice of intent not to continue the agreement no later than ninety (90) days prior to the expiration of the Initial or Extended Term. Notwithstanding the foregoing, in the event a change of control (as defined in Paragraph 18) occurs during either the Initial term or the Extended Term, this agreement may not be terminated by the Company for a period of two (2) years following such change in control.

(b) Death. The death of Executive shall immediately terminate this Agreement with no severance compensation due to Executive's estate.

(c) Disability. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his full-time duties hereunder for four consecutive months, then 30 days after receiving written notice (which notice may occur before or after the end of such four-month period, but which shall not be effective earlier than the last day of such four-month period), the Company may terminate Executive's employment hereunder, provided that Executive is unable to resume his full-time duties at the conclusion of such notice period. Also, Executive may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health, provided that Executive shall have furnished the Company with a written statement from a doctor reasonably acceptable to the Company to such effect and provided, further, that, at the Company's request made within 30 days of the date of such written statement, Executive shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Executive or Executive's doctor and such second doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from the Company, in a lump sum payment due within 10 days of the effective date of termination, the base salary at the rate then in effect (i) during the Initial Term, for whatever time period, if any, is remaining under the Initial Term, provided that such period shall not be less than one year, and (ii) during the Extended Term, equivalent to one year of base salary.

(d) Cause. The Company may terminate this Agreement and Executive's employment 10 days after written notice to Executive for "Cause", which shall be: (1) Executive's willful, material and irreparable breach of this Agreement (which remains uncured 5 days after delivery of written notice); (2) Executive's gross negligence in the performance or intentional nonperformance (in either case continuing for 10 days after receipt of written notice of need to cure) of any of Executive's material duties and responsibilities hereunder; (3) Executive's dishonesty or fraud with respect to the business, reputation or affairs of the Company or IES which materially and adversely affects the Company or IES (monetarily or otherwise); (4) Executive's conviction of a felony crime or crime involving moral turpitude; (5) Executive's drug or alcohol abuse; or (6) Executive's violation of Company policy (which remains uncured or continues 5 days after delivery of written notice). In the event of a termination for Cause, Executive shall have no right to any severance compensation.

(e) Without Cause. Executive may, without Good Reason (as hereinafter defined) terminate this Agreement and Executive's employment, effective 30 days after written notice is provided to the Company. Executive may be terminated without Cause by the Company during either the Initial Term or Extended Term. Should Executive be terminated by the Company without Cause or should Executive terminate with Good Reason during the Initial Term or Extended Term, Executive shall receive from the Company, in a lump sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term or the Extended Term, as applicable, or for one year, whichever amount is greater. Further, any termination without Cause by the Company or by Executive for Good Reason shall operate to eliminate the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply. If Executive resigns or otherwise terminates his employment without Good Reason, rather than the Company terminating his employment pursuant to this paragraph 4(d), Executive shall receive no severance compensation.

Executive shall have "Good Reason" to terminate his employment hereunder upon the occurrence of any of the following events, unless such event is agreed to in writing by Executive: (a) Executive is demoted by means of a material reduction in authority, responsibilities or duties to a position of less stature or importance within the Company than the position described in Section 1 hereof; (b) Executive's annual base salary as then in effect is reduced; or (c) the relocation of the Company's principal executive offices to a location outside the greater Houston, Texas area.

If termination of Executive's employment arises out of the Company's failure to pay Executive on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent jurisdiction or pursuant to the provisions of paragraph 18 below, the Company shall pay all amounts and damages to which Executive may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Executive to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

Upon termination of this Agreement for any reason provided above, in addition to the above payments, if any, Executive shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination, paid to Executive in a lump sum on the effective date. All other rights and obligations of the Company and Executive under this Agreement shall cease as of the effective date of termination, except that the Executive's obligations under paragraphs 3, 5, 6, 7, and 8 herein shall survive such termination in accordance with their terms.

5. Return of Company Property. All records, designs, patents, business plans, financial statements, manuals, memoranda, lists and other property delivered to or compiled by Executive by or on behalf of the Company, IES or any IES Companies or their representatives, vendors or customers which pertain to the business of the Company or IES or any IES Companies shall be and remain the property of the Company or IES or the IES Company, as the case may be, and be subject at all times to their discretion and control. Likewise, all correspondence, reports, records, charts, advertising materials and other similar data pertaining to the business, activities or future plans of the Company or IES or the IES Company which is collected by Executive shall be delivered promptly to the Company without request by it upon termination of Executive's employment.

6. Inventions. Executive shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one year thereafter, if conceived during employment, and which are directly related to the business or activities of the Company and which Executive conceives as a result of his employment by the Company. Executive hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Executive shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

7. Trade Secrets. Executive agrees that he will not, during or after the term of this Agreement, disclose the specific terms of the Company's or IES' relationships or agreements with their respective significant vendors or customers or any other significant and material trade secret of the Company or IES, whether in existence or proposed, to any person, firm, partnership, corporation or business for any reason or purpose whatsoever.

8. Confidentiality.

(a) Executive acknowledges and agrees that all Confidential Information (as defined below) of the Company is confidential and a valuable, special and unique asset of the Company that gives the Company an advantage over its actual and potential, current and future competitors. Executive further acknowledges and agrees that Executive owes the Company a fiduciary duty to preserve and protect all Confidential Information from unauthorized disclosure or unauthorized use, that certain Confidential Information constitutes "trade secrets" under applicable laws and, that unauthorized disclosure or unauthorized use of the Company's Confidential Information would irreparably injure the Company.

(b) Both during the term of Executive's employment and after the termination of Executive's employment for any reason (including wrongful termination), Executive shall hold all Confidential

Information in strict confidence, and shall not use any Confidential Information except for the benefit of the Company, in accordance with the duties assigned to Executive. Executive shall not, at any time (either during or after the term of Executive's employment), disclose any Confidential Information to any person or entity (except other employees of the Company who have a need to know the information in connection with the performance of their employment duties), or copy, reproduce, modify, decompile or reverse engineer any Confidential Information, or remove any Confidential Information from the Company's premises, without the prior written consent of the President of the Company, or permit any other person to do so. Executive shall take reasonable precautions to protect the physical security of all documents and other material containing Confidential Information (regardless of the medium on which the Confidential Information is stored). This Agreement applies to all Confidential Information, whether now known or later to become known to Executive.

(c) Upon the termination of Executive's employment with the Company for any reason, and upon request of the Company at any other time, Executive shall promptly surrender and deliver to the Company all documents and other written material of any nature containing or pertaining to any Confidential Information and shall not retain any such document or other material. Within five days of any such request, Executive shall certify to the Company in writing that all such materials have been returned.

(d) As used in this Agreement, the term "Confidential Information" shall mean any information or material known to or used by or for the Company (whether or not owned or developed by the Company and whether or not developed by Executive) that is not generally known to persons in the electrical contracting business. Confidential information includes, but is not limited to, the following: all trade secrets of the Company; all information that the Company has marked as confidential or has otherwise described to Executive (either in writing or orally) as confidential; all nonpublic information concerning the Company's products, services, prospective products or services, research, product designs, prices, discounts, costs, marketing plans, marketing techniques, market studies, test data, customers, customer lists and records, suppliers and contracts; all Company business records and plans; all Company personnel files; all financial information of or concerning the Company; all information relating to operating system software, application software, software and system methodology, hardware platforms, technical information, inventions, computer programs and listings, source codes, object codes, copyrights and other intellectual property; all technical specifications; any proprietary information belonging to the Company; all computer hardware or software manual; all training or instruction manuals; and all data and all computer system passwords and user codes.

9. No Prior Agreements. Executive hereby represents and warrants to the Company that the execution of this Agreement by Executive and his employment by the Company and the performance of his duties hereunder will not violate or be a breach of any agreement with a former employer, client or any other person or entity. Further, Executive agrees to indemnify the Company for any claim, including, but not limited to, reasonable attorneys' fees and expenses of investigation, by any such third party that such third party may now have or may hereafter come to have against the Company based upon or arising out of any non-competition agreement, invention or secrecy agreement between Executive and such third party which was in existence as of the date of this Agreement.

10. Assignment; Binding Effect. Executive understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Executive agrees, therefore, that he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

11. Release. Notwithstanding anything in this Agreement to the contrary, Executive shall not be entitled to receive any payments pursuant to this Agreement unless Executive has executed (and not revoked) a general release of all claims Executive may have against the Company and its affiliates in a form of such release reasonably acceptable to the Company.

12. Complete Agreement. Executive has no oral representations, understandings or agreements with the Company, IES or any of their officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company, IES and Executive and of all

the terms of this Agreement, and it cannot be varied,

contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed by a duly authorized officer of the Company and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term. Without limiting the generality of the foregoing, either party's failure to insist on strict compliance with this Agreement shall not be deemed a waiver thereof.

13. Notice. Whenever any notice is required hereunder, it shall be given in writing addressed as follows:

To the Company: Law Department
 Integrated Electrical Services, Inc.
 1800 West Loop South, Suite 500
 Houston, Texas 77027

To Executive: H.R. Allen
 6 Bristol Circle
 Charleston, SC 29407

Notice shall be deemed given and effective on the earlier of three days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 13.

14. Severability; Headings. If any portion of this Agreement is held invalid or inoperative, the other portions of this Agreement shall be deemed valid and operative and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion held invalid or inoperative. The paragraph headings herein are for reference purposes only and are not intended in any way to describe, interpret, define or limit the extent or intent of the Agreement or of any part hereof.

15. Dispute Resolutions. Except with respect to injunctive relief as provided in paragraph 3(b), neither party shall institute a proceeding in any court or administrative agency to resolve a dispute between the parties before that party has sought to resolve the dispute through direct negotiation with the other party. If the dispute is not resolved within two weeks after a demand for direct negotiation, the parties shall attempt to resolve the dispute through mediation. If the parties do not promptly agree on a mediator, the parties shall request the Association of Attorney Mediators in Harris County, Texas to appoint a mediator certified by the Supreme Court of Texas. If the mediator is unable to facilitate a settlement of the dispute within a reasonable period of time, as determined by the mediator, the mediator shall issue a written statement to the parties to that effect and any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in Houston, Texas, in accordance with the rules of the American Arbitration Association then in effect. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Executive was terminated without disability or Cause, as defined in paragraphs 4(b) and 4(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The costs and expenses, including reasonable attorneys' fees, of the prevailing party in any dispute arising under this Agreement will be promptly paid by the other party.

16. Governing Law. This Agreement shall in all respects be construed according to the laws of the State of Texas without regard to its conflicts of law provisions.

17. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18. Change in Control. If, on or within two years following the effective date of a Change in

Control (as defined below), the Company terminates Executive's employment other than for Cause or Executive terminates his employment for Good Reason, or if Executive's employment with the Company is terminated by the Company within three months before the effective date of a Change in Control and it is reasonably demonstrated that such termination (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change in Control, or (ii) otherwise arose in connection with or anticipation of a Change in Control, then Executive shall receive from Company, in a lump sum payment due on the effective date of termination, in lieu of any other payments pursuant to this Agreement, (i) the equivalent of three years' base salary at the rate then in effect, plus three times annual bonus at the then current percentage applicable to Executive determined at 100% payout, and (ii) three years' coverage under the Company's medical benefit plan on a tax-neutral basis.

(a) A "Change in Control" shall be deemed to have occurred if:

(i) any person, entity or group (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act"), other than the IES Companies or an employee benefit plan of the IES Companies, acquires, directly or indirectly, the beneficial ownership (as defined in Section 13(d) of the Act) of any voting security of the Company and immediately after such acquisition such person is, directly or indirectly, the beneficial owner of voting securities representing 20% or more of the total voting power of all of the then outstanding voting securities of the Company entitled to vote generally in the election of directors;

(ii) upon the first purchase of the Company's common stock pursuant to a tender or exchange offer (other than a tender or exchange offer made by the Company);

(iii) the stockholders of the Company shall approve a merger, consolidation, recapitalization or reorganization of the Company, or a reverse stock split of outstanding voting securities, or consummation of any such transaction if stockholder approval is not obtained, other than any such transaction which would result in at least 75% of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction being beneficially owned by the holders of all of the outstanding voting securities of the Company immediately prior to the transactions with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction;

(iv) the stockholders of the Company shall approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) if, at any time during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election or nomination for the election by the Company's stockholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

(b) Notwithstanding anything in this Agreement to the contrary, a termination pursuant to this paragraph shall operate to automatically waive in full the non-competition restrictions imposed on Executive pursuant to paragraph 3(a).

(c) If it shall be finally determined that any payment made or benefit provided to Executive in connection with a Change in Control of the

Company, whether or not made or provided pursuant to this Agreement, is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any successor thereto, the Company shall pay Executive an amount of cash (the "Additional Amount") such that the net amount received by Executive after paying all applicable taxes on such Additional Amount shall be equal to the amount that Executive would have received if Section 4999 were not applicable."

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Agreement effective for all purposes as of the date set forth above.

INTEGRATED ELECTRICAL SERVICES, INC.

By: _____
Name: _____
Title: _____

EXECUTIVE

H. R. Allen

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This amended and restated Employment Agreement (the "Agreement") by and between Integrated Electrical Services, Inc., a Delaware Corporation ("IES"), Primo Electric Company, a Delaware Corporation and wholly owned subsidiary of IES ("Primo") and Richard L. China ("Executive") is hereby entered into effective as of this ____ day of _____, 2003.

RECITALS

Whereas, Executive and Primo have previously entered into an Employment Agreement (the "Original Agreement") as of the 12th day of January, 1999; and

Whereas, the parties to the Original Agreement deem it desirable to amend and restate such Agreement in its entirety and to include IES as a party to the Agreement; and

Whereas, as of the Effective Date, IES and the subsidiary companies of IES (collectively, the "IES Companies") are engaged primarily in the providing of any electrical contracting, information technology principally related to the electrical contracting or cabling industry, and related services business; and

Whereas, Executive is employed hereunder by IES in a confidential relationship wherein Executive, in the course of his/her employment with IES, has and will continue to become familiar with and aware of information as to IES's customers and specific manner of doing business, including the processes, techniques and trade secrets utilized by IES, and future plans with respect thereto, all of which has been and will be established and maintained at great expense to IES. This information is a trade secret and constitutes the valuable goodwill of IES.

Therefore, in consideration of the mutual promises, terms, covenants and conditions set forth herein and the performance of each, the Original Agreement is hereby amended and restated in its entirety as follows:

AGREEMENTS

1. Employment and Duties.

(a) IES hereby employs Executive as Chief Operating Officer. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of and consistent with Executive's position. Executive hereby accepts this employment upon the terms and conditions herein and agrees to devote substantially all of his/her time, attention and efforts to promote and further the business and interests of IES and its affiliates.

(b) Executive shall faithfully adhere to, execute and fulfill all lawful policies established by IES.

(c) Executive shall not, during the term of his/her employment hereunder, engage in any other business activity pursued for gain, profit or other pecuniary advantage if such activity interferes in any material respect with Executive's duties and responsibilities hereunder. The foregoing limitations shall not be construed as prohibiting Executive from making personal investments in such form or manner as will neither require his/her services in the operation or affairs of the companies or enterprises in which such investments are made nor violate the terms of paragraph 3 hereof.

2. Compensation. For all services rendered by Executive, IES shall compensate Executive as follows:

(a) Base Salary. The base salary payable to Executive during the term shall be \$30,833.33 monthly (\$370,000 on an annualized basis), payable in accordance with IES' payroll procedures for officers, but not less frequently than monthly. Such base salary may be increased from time to time, at the discretion of the Board of Directors of IES (the "IES Board"), in light of the Executive's position, responsibilities and performance.

(b) Executive Perquisites, Benefits and Other Compensation. Executive shall be entitled to receive additional benefits and compensation from IES in such form and to such extent as specified below:

(i) Reimbursement for all business travel and other out-of-pocket expenses (including those costs to maintain any professional certifications held or obtained by Executive) reasonably incurred by Executive in the performance of his/her duties pursuant to this Agreement and in accordance with IES' policy for executives of IES. All such expenses shall be appropriately documented in reasonable detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with IES' expense reporting policy.

(ii) Executive shall, subject to the satisfaction of any general eligibility criteria, be eligible to participate in all compensation and

(iii) Provided Executive is the Chief Operating Officer of IES, he/she may receive an incentive payment equal to a percentage of his/her annualized base, as set forth in paragraph 2(a) above, developed based on mutually agreeable goals, objectives and incremental performance of the business unit for which Executive is directly responsible, all subject to approval of the Compensation Committee of the Board of Directors. The actual payout of any incentive payment is typically made in December of each year.

(iv) IES shall provide Executive with such other perquisites as may be deemed appropriate for Executive by the IES Board.

3. Non-Competition Agreement.

(a) Executive recognizes that IES' willingness to enter into this Agreement is based in material part on Executive's agreement to the provisions of this paragraph 3 and that Executive's breach of the provisions of this paragraph 3 could materially damage IES. Subject to the further provisions of this Agreement, Executive will not, during the term of his/her employment with IES, and for a period of two years immediately following the termination of such for any reason whatsoever, either for Cause or in the event the Executive terminates his/her employment without Good Reason, except as may be set forth herein, directly or indirectly, for himself/herself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any electrical contracting, information technology principally related to the electrical contracting or cabling industry, and related services business in direct competition with any IES Company within 100 miles of where any IES Company conducts business, including any territory serviced by an IES Company during the term of Executive's employment (the "Territory");

(ii) call upon any person who is, at that time, an employee of an IES Company for the purpose or with the intent of enticing such employee away from or out of the employ of the IES Company;

(iii) call upon any person or entity which is, at that time, or which has been, within one year prior to that time, a customer of an IES Company within the Territory for the purpose of soliciting or selling electrical contracting, information technology principally related to the electrical contracting or cabling industry, and related products or services in direct competition with the IES Companies within the Territory;

(iv) call upon any prospective acquisition candidate, on Executive's own behalf or on behalf of any competitor, which candidate was, to Executive's knowledge after due inquiry, either called upon by an IES Company or for which an IES Company made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of IES to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that

IES has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than 1% of the capital stock of a competing business, whose stock is traded on a national securities exchange, the Nasdaq Stock Market or on an over-the-counter or similar market, unless the Board of Directors of IES consents to such acquisition.

(b) Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which they would have no other adequate remedy, Executive agrees that foregoing covenant may be enforced by IES, in the event of breach by him/her, by injunctions and restraining orders. Executive further agrees to waive any requirement for IES' securing or posting of any bond in connection with such remedies.

(c) It is agreed by the parties that the foregoing covenants in this paragraph 3 impose a reasonable restraint on Executive in light of the activities and business of the IES Companies on the date of the execution of this Agreement and the current plans of the IES Companies; but it is also the intent of IES and Executive that such covenants be construed and enforced in accordance with the changing activities, business and locations of the IES Companies throughout the term of this covenant, whether before or after the date of termination of the employment of Executive, unless the Executive was conducting such new business prior to any IES Company conducting such new business. For example, if, during the term of this Agreement, an IES Company engages in new and different activities, enters a new business or establishes new locations for its current activities or business in addition to or other than the activities or business enumerated under the Recitals above or the locations currently established therefore, then Executive will be precluded from soliciting the customers or employees of such new activities or business or from such new location and from directly competing with such new business within 100 miles of its then-established operating location(s) through the term of this covenant, unless the Executive was conducting such new business prior to any IES Company conducting such new business.

(d) It is further agreed by the parties hereto that, in the event that Executive shall cease to be employed hereunder and shall enter into a business or pursue other activities not in competition with the electrical contracting activities of the IES Companies or similar activities or business in locations the operation of which, under such circumstances, does not violate clause (a)(i) of this paragraph 3, and in any event such new business, activities or location are not in violation of this paragraph 3 or of Executive's obligations under this paragraph 3, if any, Executive shall not be chargeable with a violation of this paragraph 3 if the IES Companies shall thereafter enter the same, similar or a competitive (i) business, (ii) course of activities or (iii) location, as applicable.

(e) The covenants in this paragraph 3 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

(f) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against IES, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two years (subject to the further provisions of this Agreement) following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

(g) IES and the Executive hereby agree that this covenant is a material and substantial part of this transaction.

4. Term; Termination; Rights on Termination. The term of this Agreement shall begin on the Effective Date and continue for three years (the "Initial Term") and, unless terminated sooner as herein provided, shall continue on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of

renewal (the "Extended Term"). This Agreement and Executive's employment may be terminated in any one of the following ways:

(a) Notice of Non-Renewal. This amended and restated agreement may be terminated by the Company by serving notice of intent not to continue the agreement no later than ninety (90) days prior to the expiration of the Initial or Extended Term. Notwithstanding the foregoing, in the event a change of control (as defined in Paragraph 9) occurs during either the Initial Term or the Extended Term, this Agreement may not be terminated by the Company for a period of two (2) years following such change in control.

(b) Death. The death of Executive shall immediately terminate this Agreement with no severance compensation due to Executive's estate.

(c) Disability. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his/her full-time duties hereunder for four consecutive months, then 30 days after receiving written notice (which notice may occur before or after the end of such four-month period, but which shall not be effective earlier than the last day of such four-month period), IES may terminate Executive's employment hereunder, provided that Executive is unable to resume his/her full-time duties at the conclusion of such notice period. Also, Executive may terminate his/her employment hereunder if his/her health should become impaired to an extent that makes the continued performance of his/her duties hereunder hazardous to his/her physical or mental health, provided that Executive shall have furnished IES with a written statement from a doctor reasonably acceptable to IES to such effect and provided, further, that, at IES' request made within 30 days of the date of such written statement, Executive shall submit to an examination by a doctor selected by IES who is reasonably acceptable to Executive or Executive's doctor and such second doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from IES, in a lump sum payment due within 10 days of the effective date of termination, six months of base salary at the rate then in effect.

(d) Cause. IES may terminate this Agreement and Executive's employment 10 days after written notice to Executive for "Cause", which shall be: (1) Executive's breach of this Agreement; (2) Executive's gross negligence in the performance or intentional nonperformance of any of Executive's duties and responsibilities hereunder; (3) Executive's dishonesty or fraud with respect to the business, reputation or affairs of IES; (4) Executive's conviction of a felony crime or crime involving moral turpitude; (5) Executive's violation of Company policy; or (6) Executive's drug or alcohol abuse. In the event of a termination for Cause, Executive shall have no right to any severance compensation.

(e) Without Cause. Executive may be terminated without Cause by IES during either the Initial Term or Extended Term. Should Executive be terminated by IES without Cause during the Initial Term or the Extended Term, Executive shall receive from IES, in a lump sum payment due on the effective date of termination, the base salary at the rate then in effect for one year (severance compensation). Further, any termination without Cause by IES shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one year from the date of termination of employment.

(f) Good Reason. Executive may voluntarily terminate his/her employment for Good Reason (as hereinafter defined), effective 14 days after written notice is provided to IES. Should Executive terminate his/her employment for Good Reason during the Initial Term or the Extended Term, Executive shall receive from IES, in a lump sum payment due on the effective date of termination, the base salary at the rate then in effect for one year (severance compensation). Further, any termination by Executive for Good Reason shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one year from the date of termination of employment. Otherwise, Executive may voluntarily terminate his/her employment without Good Reason, effective 30 days after written notice is provided to IES. If Executive resigns or otherwise terminates his/her employment without Good Reason, Executive shall have no right to any severance compensation.

Executive shall have "Good Reason" to terminate his/her employment hereunder upon the occurrence of any of the following events, unless such event is agreed to in writing by Executive: (a) Executive's annual base salary as then in effect is reduced; (b) Executive is demoted by means of a material

reduction in authority, responsibilities or duties to a position of less stature or importance within IES than the position described in Section 1 hereof; or (c) the relocation of the Company's principal executive offices to a location outside the greater Houston, Texas area or the Company's requiring Executive to relocate anywhere other than the Company's principal executive offices.

5. Return of Company Property. All records, designs, patents, business plans, financial statements, manuals, memoranda, lists and other property delivered to or compiled by Executive by or on behalf of IES or any IES Companies or their representatives, vendors or customers which pertain to the business of IES or any IES Companies shall be and remain the property of IES or the IES Company, as the case may be, and be subject at all times to their discretion and control. Likewise, all correspondence, reports, records, charts, advertising materials and other similar data pertaining to the business, activities or future plans of IES or the IES Company which is collected by Executive shall be delivered promptly to IES without request by it upon termination of Executive's employment.

6. Inventions. Executive shall disclose promptly to IES any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one year thereafter, if conceived during employment, and which are directly related to the business or activities of IES and which Executive conceives as a result of his/her employment by IES. Executive hereby assigns and agrees to assign all his/her interests therein to IES or its nominee. Whenever requested to do so by IES, Executive shall execute any and all applications, assignments or other instruments that IES shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect IES' interest therein.

7. Trade Secrets. Executive agrees that he/she will not, during or after the term of this Agreement, disclose the specific terms of IES' relationships or agreements with their respective significant vendors or customers or any other significant and material trade secret of IES, whether in existence or proposed, to any person, firm, partnership, corporation or business for any reason or purpose whatsoever.

8. Confidentiality.

(a) Executive acknowledges and agrees that all Confidential Information (as defined below) of IES is confidential and a valuable, special and unique asset of IES that gives IES an advantage over its actual and potential, current and future competitors. Executive further acknowledges and agrees that Executive owes IES a fiduciary duty to preserve and protect all Confidential Information from unauthorized disclosure or unauthorized use, that certain Confidential Information constitutes "trade secrets" under applicable laws and, that unauthorized disclosure or unauthorized use of IES' Confidential Information would irreparably injure IES.

(b) Both during the term of Executive's employment and after the termination of Executive's employment for any reason (including wrongful termination), Executive shall hold all Confidential Information in strict confidence, and shall not use any Confidential Information except for the benefit of IES, in accordance with the duties assigned to Executive. Executive shall not, at any time (either during or after the term of Executive's employment), disclose any Confidential Information to any person or entity (except other employees of IES who have a need to know the information in connection with the performance of their employment duties), or copy, reproduce, modify, decompile or reverse engineer any Confidential Information, or remove any Confidential Information from IES' premises, without the prior written consent of the President of IES, or permit any other person to do so. Executive shall take reasonable precautions to protect the physical security of all documents and other material containing Confidential Information (regardless of the medium on which the Confidential Information is stored). This Agreement applies to all Confidential Information, whether now known or later to become known to Executive.

(c) Upon the termination of Executive's employment with IES for any reason, and upon request of IES at any other time, Executive shall promptly surrender and deliver to IES all documents and other written material of any nature containing or pertaining to any Confidential Information and shall not retain any such document or other material. Within five days of any such request, Executive shall certify to IES in writing that all such materials have been returned.

(d) As used in this Agreement, the term "Confidential Information" shall mean any information or material known to or used by or for IES (whether or not owned or developed by IES and whether or not developed by Executive) that is not generally known to persons in the electrical contracting business. Confidential information includes, but is not limited to, the following: all trade secrets of IES; all information that IES has marked as confidential or has otherwise described to Executive (either in writing or orally) as confidential; all nonpublic information concerning IES' products, services, prospective products or services, research, product designs, prices, discounts, costs, marketing plans, marketing techniques, market studies, test data, customers, customer lists and records, suppliers and contracts; all Company business records and plans; all Company personnel files; all financial information of or concerning IES; all information relating to operating system software, application software, software and system methodology, hardware platforms, technical information, inventions, computer programs and listings, source codes, object codes, copyrights and other intellectual property; all technical specifications; any proprietary information belonging to IES; all computer hardware or software manual; all training or instruction manuals; and all data and all computer system passwords and user codes.

9. Change in Control.

(a) Executive understands and acknowledges that the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of the Company hereunder or that the Company may undergo a Change in Control (as defined below). In the event a Change in Control is initiated or occurs during the Initial Term or Extended Term, then the provisions of this paragraph 9 shall be applicable.

(b) In the event of a Change in Control wherein the Company and Executive have not received written notice at least ten business days prior to the date of the event giving rise to the Change in Control from the successor to all or a substantial portion of the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent that the Company is hereby required to perform, then Executive may, at Executive's sole discretion, elect to terminate Executive's employment on such Change in Control by providing written notice to the Company prior to the closing of the transaction giving rise to the Change in Control. In such case, Executive shall receive from Company, in a lump sum payment due on the effective date of termination in lieu of any other payments pursuant to this agreement (i) the equivalent to two and one half times a year's base salary at the rate then in effect, plus two and one half times annual bonus at the then current percentage applicable to Executive determined at 100% payout and (ii) two years' coverage under the Company's medical benefit plan on a tax neutral basis.

(c) If, on or within six months following the effective date of a Change in Control the Company terminates Executive's employment other than for Cause or Executive terminates his employment for Good Reason, or if Executive's employment with the Company is terminated by the Company within thirty days before the effective date of a Change in Control and it is reasonably demonstrated that such termination (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change in Control, or (ii) otherwise arose in connection with or anticipation of a Change in Control, then Executive shall receive from Company, in a lump sum payment due on the effective date of termination, . in lieu of any other payments pursuant to this agreement (i) the equivalent to two and one half times a year's base salary at the rate then in effect, plus two and one half times annual bonus at the then current percentage applicable to Executive determined at 100% payout and (ii) two years' coverage under the Company's medical benefit plan on a tax neutral basis.

(d) A "Change in Control" shall be deemed to have occurred if:

(i) any person, entity or group (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act"), other than the IES Companies or an employee benefit plan of the IES Companies, acquires, directly or indirectly, the beneficial ownership (as defined in Section 13(d) of the Act) of any voting security of the Company and immediately after such acquisition such person is, directly or indirectly, the beneficial owner of voting securities representing 20% or more of the total voting power of all of the then outstanding voting securities of the Company entitled to vote generally in the election of directors;

(ii) upon the first purchase of the Company's common stock pursuant to a tender or exchange offer (other than a tender or exchange offer made by the Company);

(iii) the stockholders of the Company shall approve a merger, consolidation, recapitalization or reorganization of the Company, or a reverse stock split of outstanding voting securities, or consummation of any such transaction if stockholder approval is not obtained, other than any such transaction which would result in at least 75% of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction being beneficially owned by the holders of all of the outstanding voting securities of the Company immediately prior to the transactions with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction;

(iv) the stockholders of the Company shall approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) if, at any time during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election or nomination for the election by the Company's stockholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

(e) Notwithstanding anything in this Agreement to the contrary, a termination pursuant to paragraph 9(b), (c), or (d) shall operate to automatically waive in full the non-competition restrictions imposed on Executive pursuant to paragraph 3(a).

(f) If it shall be finally determined that any payment made or benefit provided to Executive in connection with a Change in Control of the Company, whether or not made or provided pursuant to this Agreement, is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any successor thereto, the Company shall pay Executive an amount of cash (the "Additional Amount") such that the net amount received by Executive after paying all applicable taxes on such Additional Amount shall be equal to the amount that Executive would have received if Section 4999 were not applicable.

10. Indemnification. In the event Executive is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Company against Executive), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Executive against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Executive in connection therewith. In the event that both Executive and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Executive agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Executive, Executive may engage separate counsel and the Company shall pay all reasonable attorneys' fees and reasonable expenses of such separate counsel. Further, while Executive is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Executive cannot be held liable to the Company for errors or omissions made in good faith where Executive has not exhibited gross, willful and wanton negligence and misconduct nor performed criminal and fraudulent acts which materially damage the business of the Company.

11. Outplacement Services. Should Executive be terminated Without Cause or resign with Good Reason, he/she shall be entitled to outplacement services commensurate with Executive's position for a period of one year or until he/she obtains comparable employment, whichever is less.

12. No Prior Agreements. Executive hereby represents and warrants to IES that the execution of this Agreement by Executive and his/her employment by IES and the performance of his/her duties hereunder will not violate or be a breach of any agreement with a former employer, client or any other person or entity. Further, Executive agrees to indemnify IES for any claim, including, but not limited to, reasonable attorneys' fees and expenses of investigation, by any such third party that such third party may now have or may hereafter come to have

against IES based upon or arising out of any non-competition agreement, invention or secrecy agreement between Executive and such third party which was in existence as of the date of this Agreement.

13. Assignment; Binding Effect. Executive understands that he/she has been selected for employment by IES on the basis of his/her personal qualifications, experience and skills. Executive agrees, therefore, that he/she cannot assign all or any portion of his/her performance under this Agreement. Subject to the preceding two sentences and the express provisions of paragraph 11 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

14. Release. Notwithstanding anything in this Agreement to the contrary, Executive shall not be entitled to receive any payments pursuant to this Agreement unless Executive has executed (and not revoked) a general release of all claims Executive may have against IES and its affiliates in a form of such release reasonably acceptable to IES.

15. Complete Agreement. Executive has no oral representations, understandings or agreements with IES, IES or any of their officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between IES, IES and Executive and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified, except by a further writing signed by an officer of IES who must be duly authorized by IES' Board of Directors and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term. Without limiting the generality of the foregoing, either party's failure to insist on strict compliance with this Agreement shall not be deemed a waiver thereof.

16. Notice. Whenever any notice is required hereunder, it shall be given in writing addressed as follows:

To IES: Law Department
 Integrated Electrical Services, Inc.
 1800 West Loop South, Suite 500
 Houston, Texas 77027

To Executive: Richard L. China
 1720 Love Point Drive
 Stevensville, MD 21666

Notice shall be deemed given and effective on the earlier of three days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 16.

17. Severability; Headings. If any portion of this Agreement is held invalid or inoperative, the other portions of this Agreement shall be deemed valid and operative and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion held invalid or inoperative. The paragraph headings herein are for reference purposes only and are not intended in any way to describe, interpret, define or limit the extent or intent of the Agreement or of any part hereof.

18. Dispute Resolutions. Except with respect to injunctive relief as provided in paragraph 3(b), neither party shall institute a proceeding in any court or administrative agency to resolve a dispute between the parties before that party has sought to resolve the dispute through direct negotiation with the other party. If the dispute is not resolved within two weeks after a demand for direct negotiation, the parties shall attempt to resolve the dispute through mediation. If the parties do not promptly agree on a mediator, the parties shall request the Association of Attorney Mediators in Harris County, Texas to appoint a mediator certified by the Supreme Court of Texas. If the mediator is unable to facilitate a settlement of the dispute within a reasonable period of time, as determined by the mediator, the mediator shall issue a written statement to the parties to that effect and any unresolved dispute or

controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in Houston, Texas, in accordance with the rules of the American Arbitration Association then in effect. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The costs and expenses, including reasonable attorneys' fees, of the prevailing party in any dispute arising under this Agreement will be promptly paid by the other party.

19. Governing Law. This Agreement shall in all respects be construed according to the laws of the State of Texas without regard to its conflicts of law provisions.

20. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective for all purposes as of the Effective Date.

INTEGRATED ELECTRICAL SERVICES, INC.

By: _____
Name: _____
Title: _____

PRIMO ELECTRIC COMPANY

By: _____
Name: _____
Title: _____

EXECUTIVE

Richard L. China

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This amended and restated Employment Agreement (the "Agreement") by and between Integrated Electrical Services, Inc., a Delaware Corporation ("IES") and _____ ("Executive") is hereby entered into effective as of this ____ day of _____, 2003.

RECITALS

Whereas, Executive and IES [or subsidiary company] have previously entered into an Employment Agreement (the "Original Agreement") as of the ____ day of _____, ____; and

Whereas, the parties to the Original Agreement deem it desirable to amend and restate such Agreement in its entirety [and to include IES as a party to the Agreement]; and

Whereas, as of the Effective Date, IES and the subsidiary companies of IES (collectively, the "IES Companies") are engaged primarily in the providing of any electrical contracting, information technology principally related to the electrical contracting or cabling industry, and related services business; and

Whereas, Executive is employed hereunder by IES in a confidential relationship wherein Executive, in the course of his/her employment with IES, has and will continue to become familiar with and aware of information as to IES's customers and specific manner of doing business, including the processes, techniques and trade secrets utilized by IES, and future plans with respect thereto, all of which has been and will be established and maintained at great expense to IES. This information is a trade secret and constitutes the valuable goodwill of IES.

Therefore, in consideration of the mutual promises, terms, covenants and conditions set forth herein and the performance of each, the Original Agreement is hereby amended and restated in its entirety as follows:

AGREEMENTS

1. Employment and Duties.

(a) IES hereby employs Executive as _____. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of and consistent with Executive's position. Executive hereby accepts this employment upon the terms and conditions herein and agrees to devote substantially all of his/her time, attention and efforts to promote and further the business and interests of IES and its affiliates.

(b) Executive shall faithfully adhere to, execute and fulfill all lawful policies established by IES.

(c) Executive shall not, during the term of his/her employment hereunder, engage in any other business activity pursued for gain, profit or other pecuniary advantage if such activity interferes in any material respect with Executive's duties and responsibilities hereunder. The foregoing limitations shall not be construed as prohibiting Executive from making personal investments in such form or manner as will neither require his/her services in the operation or affairs of the companies or enterprises in which such investments are made nor violate the terms of paragraph 3 hereof.

2. Compensation. For all services rendered by Executive, IES shall compensate Executive as follows:

(a) Base Salary. The base salary payable to Executive during the term shall be \$_____ monthly (\$_____ on an annualized basis), payable in accordance with IES' payroll procedures for officers, but not less frequently than monthly. Such base salary may be increased from time to time, at the discretion of the Board of Directors of IES (the "IES Board"), in light of the Executive's position, responsibilities and performance.

(b) Executive Perquisites, Benefits and Other Compensation. Executive shall be entitled to receive additional benefits and compensation from IES in such form and to such extent as specified below:

(i) Reimbursement for all business travel and other out-of-pocket expenses (including those costs to maintain any professional certifications held or obtained by Executive) reasonably incurred by Executive in the performance of his/her duties pursuant to this Agreement and in accordance with IES' policy for executives of IES. All such expenses shall be appropriately documented in reasonable detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with IES' expense reporting policy.

(ii) Executive shall, subject to the satisfaction of any general eligibility criteria, be eligible to participate in all compensation and

(iii) Provided Executive is the _____ of IES, he/she may receive an incentive payment equal to a percentage of his/her annualized base, as set forth in paragraph 2(a) above, developed based on mutually agreeable goals, objectives and incremental performance of the business unit for which Executive is directly responsible, all subject to approval of the Compensation Committee of the Board of Directors. The actual payout of any incentive payment is typically made in December of each year.

(iv) IES shall provide Executive with such other perquisites as may be deemed appropriate for Executive by the IES Board.

3. Non-Competition Agreement.

(a) Executive recognizes that IES' willingness to enter into this Agreement is based in material part on Executive's agreement to the provisions of this paragraph 3 and that Executive's breach of the provisions of this paragraph 3 could materially damage IES. Subject to the further provisions of this Agreement, Executive will not, during the term of his/her employment with IES, and for a period of two years immediately following the termination of such for any reason whatsoever, either for Cause or in the event the Executive terminates his/her employment without Good Reason, except as may be set forth herein, directly or indirectly, for himself/herself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any electrical contracting, information technology principally related to the electrical contracting or cabling industry, and related services business in direct competition with any IES Company within 100 miles of where any IES Company conducts business, including any territory serviced by an IES Company during the term of Executive's employment (the "Territory");

(ii) call upon any person who is, at that time, an employee of an IES Company for the purpose or with the intent of enticing such employee away from or out of the employ of the IES Company;

(iii) call upon any person or entity which is, at that time, or which has been, within one year prior to that time, a customer of an IES Company within the Territory for the purpose of soliciting or selling electrical contracting, information technology principally related to the electrical contracting or cabling industry, and related products or services in direct competition with the IES Companies within the Territory;

(iv) call upon any prospective acquisition candidate, on Executive's own behalf or on behalf of any competitor, which candidate was, to Executive's knowledge after due inquiry, either called upon by an IES Company or for which an IES Company made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of IES to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that IES has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than 1% of the capital stock of a competing business, whose stock is traded on a national securities exchange, the Nasdaq Stock Market or on an over-the-counter or similar market, unless the Board of Directors of IES consents to such acquisition.

(b) Because of the difficulty of measuring economic losses to IES as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to IES for which they would have no other adequate remedy, Executive agrees that foregoing covenant may be enforced by IES, in the event of breach by him/her, by injunctions and restraining orders. Executive further agrees to waive any requirement for IES' securing or posting of any bond in connection with such remedies.

(c) It is agreed by the parties that the foregoing covenants in this paragraph 3 impose a reasonable restraint on Executive in light of the activities and business of the IES Companies on the date of the execution of this Agreement and the current plans of the IES Companies; but it is also the intent of IES and Executive that such covenants be construed and enforced in accordance with the changing activities, business and locations of the IES Companies throughout the term of this covenant, whether before or after the date of termination of the employment of Executive, unless the Executive was conducting such new business prior to any IES Company conducting such new business. For example, if, during the term of this Agreement, an IES Company engages in new and different activities, enters a new business or establishes new locations for its current activities or business in addition to or other than the activities or business enumerated under the Recitals above or the locations currently established therefore, then Executive will be precluded from soliciting the customers or employees of such new activities or business or from such new location and from directly competing with such new business within 100 miles of its then-established operating location(s) through the term of this covenant, unless the Executive was conducting such new business prior to any IES Company conducting such new business.

(d) It is further agreed by the parties hereto that, in the event that Executive shall cease to be employed hereunder and shall enter into a business or pursue other activities not in competition with the electrical contracting activities of the IES Companies or similar activities or business in locations the operation of which, under such circumstances, does not violate clause (a)(i) of this paragraph 3, and in any event such new business, activities or location are not in violation of this paragraph 3 or of Executive's obligations under this paragraph 3, if any, Executive shall not be chargeable with a violation of this paragraph 3 if the IES Companies shall thereafter enter the same, similar or a competitive (i) business, (ii) course of activities or (iii) location, as applicable.

(e) The covenants in this paragraph 3 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

(f) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against IES, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by IES of such covenants. It is specifically agreed that the period of two years (subject to the further provisions of this Agreement) following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

(g) IES and the Executive hereby agree that this covenant is a material and substantial part of this transaction.

4. Term; Termination; Rights on Termination. The term of this Agreement shall begin on the Effective Date and continue for three years (the "Initial Term") and, unless terminated sooner as herein provided, shall continue on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal (the "Extended Term"). This Agreement and Executive's employment may be terminated in any one of the

following ways:

(a) Notice of Non-Renewal. This amended and restated agreement may be terminated by the Company by serving notice of intent not to continue the agreement no later than ninety (90) days prior to the expiration of the Initial or Extended Term. Notwithstanding the foregoing, in the event a change of control (as defined in Paragraph 9) occurs during either the Initial Term or the Extended Term, this Agreement may not be terminated by the Company for a period of two (2) years following such change in control.

(b) Death. The death of Executive shall immediately terminate this Agreement with no severance compensation due to Executive's estate.

(c) Disability. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his/her full-time duties hereunder for four consecutive months, then 30 days after receiving written notice (which notice may occur before or after the end of such four-month period, but which shall not be effective earlier than the last day of such four-month period), IES may terminate Executive's employment hereunder, provided that Executive is unable to resume his/her full-time duties at the conclusion of such notice period. Also, Executive may terminate his/her employment hereunder if his/her health should become impaired to an extent that makes the continued performance of his/her duties hereunder hazardous to his/her physical or mental health, provided that Executive shall have furnished IES with a written statement from a doctor reasonably acceptable to IES to such effect and provided, further, that, at IES' request made within 30 days of the date of such written statement, Executive shall submit to an examination by a doctor selected by IES who is reasonably acceptable to Executive or Executive's doctor and such second doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from IES, in a lump sum payment due within 10 days of the effective date of termination, six months of base salary at the rate then in effect.

(d) Cause. IES may terminate this Agreement and Executive's employment 10 days after written notice to Executive for "Cause", which shall be: (1) Executive's breach of this Agreement; (2) Executive's gross negligence in the performance or intentional nonperformance of any of Executive's duties and responsibilities hereunder; (3) Executive's dishonesty or fraud with respect to the business, reputation or affairs of IES; (4) Executive's conviction of a felony crime or crime involving moral turpitude; (5) Executive's violation of Company policy; or (6) Executive's drug or alcohol abuse. In the event of a termination for Cause, Executive shall have no right to any severance compensation.

(e) Without Cause. Executive may be terminated without Cause by IES during either the Initial Term or Extended Term. Should Executive be terminated by IES without Cause during the Initial Term or the Extended Term, Executive shall receive from IES, in a lump sum payment due on the effective date of termination, the base salary at the rate then in effect for one year (severance compensation). Further, any termination without Cause by IES shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one year from the date of termination of employment.

(f) Good Reason. Executive may voluntarily terminate his/her employment for Good Reason (as hereinafter defined), effective 14 days after written notice is provided to IES. Should Executive terminate his/her employment for Good Reason during the Initial Term or the Extended Term, Executive shall receive from IES, in a lump sum payment due on the effective date of termination, the base salary at the rate then in effect for one year (severance compensation). Further, any termination by Executive for Good Reason shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one year from the date of termination of employment. Otherwise, Executive may voluntarily terminate his/her employment without Good Reason, effective 30 days after written notice is provided to IES. If Executive resigns or otherwise terminates his/her employment without Good Reason, Executive shall have no right to any severance compensation.

Executive shall have "Good Reason" to terminate his/her employment hereunder upon the occurrence of any of the following events, unless such event is agreed to in writing by Executive: (a) Executive's annual base salary as then in effect is reduced; (b) Executive is demoted by means of a material reduction in authority, responsibilities or duties to a position of less stature or importance within IES than

the position described in Section 1 hereof; or (c) the relocation of the Company's principal executive offices to a location outside the greater Houston, Texas area or the Company's requiring Executive to relocate anywhere other than the Company's principal executive offices.

5. Return of Company Property. All records, designs, patents, business plans, financial statements, manuals, memoranda, lists and other property delivered to or compiled by Executive by or on behalf of IES or any IES Companies or their representatives, vendors or customers which pertain to the business of IES or any IES Companies shall be and remain the property of IES or the IES Company, as the case may be, and be subject at all times to their discretion and control. Likewise, all correspondence, reports, records, charts, advertising materials and other similar data pertaining to the business, activities or future plans of IES or the IES Company which is collected by Executive shall be delivered promptly to IES without request by it upon termination of Executive's employment.

6. Inventions. Executive shall disclose promptly to IES any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one year thereafter, if conceived during employment, and which are directly related to the business or activities of IES and which Executive conceives as a result of his/her employment by IES. Executive hereby assigns and agrees to assign all his/her interests therein to IES or its nominee. Whenever requested to do so by IES, Executive shall execute any and all applications, assignments or other instruments that IES shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect IES' interest therein.

7. Trade Secrets. Executive agrees that he/she will not, during or after the term of this Agreement, disclose the specific terms of IES' relationships or agreements with their respective significant vendors or customers or any other significant and material trade secret of IES, whether in existence or proposed, to any person, firm, partnership, corporation or business for any reason or purpose whatsoever.

8. Confidentiality.

(a) Executive acknowledges and agrees that all Confidential Information (as defined below) of IES is confidential and a valuable, special and unique asset of IES that gives IES an advantage over its actual and potential, current and future competitors. Executive further acknowledges and agrees that Executive owes IES a fiduciary duty to preserve and protect all Confidential Information from unauthorized disclosure or unauthorized use, that certain Confidential Information constitutes "trade secrets" under applicable laws and, that unauthorized disclosure or unauthorized use of IES' Confidential Information would irreparably injure IES.

(b) Both during the term of Executive's employment and after the termination of Executive's employment for any reason (including wrongful termination), Executive shall hold all Confidential Information in strict confidence, and shall not use any Confidential Information except for the benefit of IES, in accordance with the duties assigned to Executive. Executive shall not, at any time (either during or after the term of Executive's employment), disclose any Confidential Information to any person or entity (except other employees of IES who have a need to know the information in connection with the performance of their employment duties), or copy, reproduce, modify, decompile or reverse engineer any Confidential Information, or remove any Confidential Information from IES' premises, without the prior written consent of the President of IES, or permit any other person to do so. Executive shall take reasonable precautions to protect the physical security of all documents and other material containing Confidential Information (regardless of the medium on which the Confidential Information is stored). This Agreement applies to all Confidential Information, whether now known or later to become known to Executive.

(c) Upon the termination of Executive's employment with IES for any reason, and upon request of IES at any other time, Executive shall promptly surrender and deliver to IES all documents and other written material of any nature containing or pertaining to any Confidential Information and shall not retain any such document or other material. Within five days of any such request, Executive shall certify to IES in writing that all such materials have been returned.

(d) As used in this Agreement, the term "Confidential Information" shall

mean any information or material known to or used by or for IES (whether or not owned or developed by

IES and whether or not developed by Executive) that is not generally known to persons in the electrical contracting business. Confidential information includes, but is not limited to, the following: all trade secrets of IES; all information that IES has marked as confidential or has otherwise described to Executive (either in writing or orally) as confidential; all nonpublic information concerning IES' products, services, prospective products or services, research, product designs, prices, discounts, costs, marketing plans, marketing techniques, market studies, test data, customers, customer lists and records, suppliers and contracts; all Company business records and plans; all Company personnel files; all financial information of or concerning IES; all information relating to operating system software, application software, software and system methodology, hardware platforms, technical information, inventions, computer programs and listings, source codes, object codes, copyrights and other intellectual property; all technical specifications; any proprietary information belonging to IES; all computer hardware or software manual; all training or instruction manuals; and all data and all computer system passwords and user codes.

9. Change in Control.

(a) Executive understands and acknowledges that the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of the Company hereunder or that the Company may undergo a Change in Control (as defined below). In the event a Change in Control is initiated or occurs during the Initial Term or Extended Term, then the provisions of this paragraph 9 shall be applicable.

(b) In the event of a Change in Control wherein the Company and Executive have not received written notice at least ten business days prior to the date of the event giving rise to the Change in Control from the successor to all or a substantial portion of the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent that the Company is hereby required to perform, then Executive may, at Executive's sole discretion, elect to terminate Executive's employment on such Change in Control by providing written notice to the Company prior to the closing of the transaction giving rise to the Change in Control. In such case, Executive shall receive from Company, in a lump sum payment due on the effective date of termination the base salary at the rate then in effect for two years, one year's bonus payment with all goals deemed met in full, and two years' coverage under the Company's medical benefit plan on a tax neutral basis. .

(c) If, on or within six months following the effective date of a Change in Control the Company terminates Executive's employment other than for Cause or Executive terminates his employment for Good Reason, or if Executive's employment with the Company is terminated by the Company within thirty days before the effective date of a Change in Control and it is reasonably demonstrated that such termination (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change in Control, or (ii) otherwise arose in connection with or anticipation of a Change in Control, then Executive shall receive from Company, in a lump sum payment due on the effective date of termination the base salary at the rate then in effect for two years, one year's bonus payment with all goals met in full, and two years' coverage under the Company's medical benefit plan on a tax neutral basis.

(d) A "Change in Control" shall be deemed to have occurred if:

(i) any person, entity or group (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act"), other than the IES Companies or an employee benefit plan of the IES Companies, acquires, directly or indirectly, the beneficial ownership (as defined in Section 13(d) of the Act) of any voting security of the Company and immediately after such acquisition such person is, directly or indirectly, the beneficial owner of voting securities representing 20% or more of the total voting power of all of the then outstanding voting securities of the Company entitled to vote generally in the election of directors;

(ii) upon the first purchase of the Company's common stock pursuant to a tender or exchange offer (other than a tender or exchange offer made by the Company);

(iii) the stockholders of the Company shall approve a merger, consolidation, recapitalization or reorganization of the Company, or a reverse stock split of outstanding voting

securities, or consummation of any such transaction if stockholder approval is not obtained, other than any such transaction which would result in at least 75% of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction being beneficially owned by the holders of all of the outstanding voting securities of the Company immediately prior to the transactions with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction;

(iv) the stockholders of the Company shall approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) if, at any time during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election or nomination for the election by the Company's stockholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

(e) Notwithstanding anything in this Agreement to the contrary, a termination pursuant to paragraph 9(b), (c), or (d) shall operate to automatically waive in full the non-competition restrictions imposed on Executive pursuant to paragraph 3(a).

(f) If it shall be finally determined that any payment made or benefit provided to Executive in connection with a Change in Control of the Company, whether or not made or provided pursuant to this Agreement, is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any successor thereto, the Company shall pay Executive an amount of cash (the "Additional Amount") such that the net amount received by Executive after paying all applicable taxes on such Additional Amount shall be equal to the amount that Executive would have received if Section 4999 were not applicable.

10. Indemnification. In the event Executive is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Company against Executive), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Executive against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Executive in connection therewith. In the event that both Executive and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Executive agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Executive, Executive may engage separate counsel and the Company shall pay all reasonable attorneys' fees and reasonable expenses of such separate counsel. Further, while Executive is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Executive cannot be held liable to the Company for errors or omissions made in good faith where Executive has not exhibited gross, willful and wanton negligence and misconduct nor performed criminal and fraudulent acts which materially damage the business of the Company.

11. Outplacement Services. Should Executive be terminated Without Cause or resign with Good Reason, he/she shall be entitled to outplacement services commensurate with Executive's position for a period of one year or until he/she obtains comparable employment, whichever is less.

12. No Prior Agreements. Executive hereby represents and warrants to IES that the execution of this Agreement by Executive and his/her employment by IES and the performance of his/her duties hereunder will not violate or be a breach of any agreement with a former employer, client or any other person or entity. Further, Executive agrees to indemnify IES for any claim, including, but not limited to, reasonable attorneys' fees and expenses of investigation, by any such third party that such third party may now have or may hereafter come to have against IES based upon or arising out of any non-competition agreement, invention or secrecy agreement between Executive and such third party which was in existence as of the date of this Agreement.

13. Assignment; Binding Effect. Executive understands that he/she has been selected for employment by IES on the basis of his/her personal qualifications, experience and skills. Executive agrees, therefore, that he/she cannot assign all or any portion of his/her performance under this Agreement. Subject to the

19. Governing Law. This Agreement shall in all respects be construed according to the laws of the State of Texas without regard to its conflicts of law provisions.

20. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective for all purposes as of the Effective Date.

INTEGRATED ELECTRICAL SERVICES, INC.

By: _____
Name: _____
Title: _____

[Subsidiary Company if applicable]
By: _____
Name: _____
Title: _____

EXECUTIVE

Executive

INTEGRATED ELECTRICAL SERVICES, INC., AND SUBSIDIARIES
 RATIO OF EARNINGS TO FIXED CHARGES
 (IN THOUSANDS OF DOLLARS)

	YEAR ENDED SEPTEMBER 30,				
	1999	2000	2001	2002	2003
CONSOLIDATED					
Earnings:					
Income before income taxes and cumulative effect of change in accounting principle ..	\$83,455	\$42,799	\$54,381	\$16,108	\$28,609
Fixed charges	14,772	25,925	29,631	30,006	28,945
	-----	-----	-----	-----	-----
	\$98,227	\$68,724	\$84,012	\$46,114	\$57,554
	=====	=====	=====	=====	=====
Fixed Charges:					
Interest expense	\$13,145	\$23,230	\$26,053	\$26,702	\$25,744
Portion of rental cost representing interest .	1,627	2,695	3,578	3,304	3,201
	-----	-----	-----	-----	-----
	\$14,772	\$25,925	\$29,631	\$30,006	\$28,945
	=====	=====	=====	=====	=====
Ratio of Earnings to					
Fixed Charges	6.6	2.7	2.8	1.5	2.0
	=====	=====	=====	=====	=====

SUBSIDIARIES OF THE REGISTRANT

SUBSIDIARY	STATE OF INCORPORATION
1st Group Telecommunications, Inc.	Delaware
Ace/Putzel Electric, Inc.	Georgia
Aladdin-Ward Electric & Air, Inc.	Florida
Amber Electric, Inc.	Florida
Anderson & Wood Construction Co., Inc.	Delaware
ARC Electric, Incorporated	Delaware
B. Rice Electric LP	Texas
Bachofner Electric, Inc.	Delaware
Bear Acquisition Corporation	Delaware
Bexar Electric Company, Ltd.	Texas
Bexar Electric II LLC	Arizona
Brink Electric Construction Co.	South Dakota
Britt Rice Electric, Inc.	Delaware
Britt Rice Holdings II LLC	Delaware
Britt Rice Holdings LLC	Arizona
Britt Rice Management LLC	Arizona
Bryant Electric Company, Inc.	North Carolina
BW Consolidated, Inc.	Nevada
BW/BEC II LLC	Arizona
BW/BEC, Inc.	Delaware
BW/BEC, L.L.C.	Nevada
Canova Electrical Contracting, Inc.	Delaware
Carroll Holdings II LLC	Delaware
Carroll Holdings LLC	Arizona
Carroll Management LLC	Arizona
Carroll Systems LP	Texas
Carroll Systems, Inc.	Delaware
Charles P. Bagby Co., Inc.	Alabama
Collier Electric Company, Inc.	Florida
Commercial Electrical Contractors, Inc.	Delaware
Cross State Electric, Inc.	California
Cypress Electrical Contractors, Inc.	Delaware
Daniel Electrical Contractors, Inc.	Florida
Daniel Electrical of Treasure Coast, Inc.	Florida
Daniel Integrated Technologies, Inc.	Florida
Davis Electrical Constructors, Inc.	South Carolina
Delco Electric, Inc.	Delaware
DKD Electric Company, Inc.	New Mexico

ElectroTech, Inc.	Nevada
EMC Acquisition Corporation	Delaware
Ernest P. Breaux Electrical, Inc.	Delaware
Federal Communications Group, Inc.	Delaware
Florida Industrial Electric, Inc.	Florida
General Partner, Inc.	Alabama
Goss Electric Company, Inc.	Delaware
H.R. Allen, Inc.	South Carolina
Hatfield Reynolds Electric Company	Arizona
Haymaker Electric, Inc.	Alabama
Holland Electrical Systems, Inc.	Delaware
Houston Stafford Holdings LLC	Arizona
Houston-Stafford Electric Holdings III, Inc.	Delaware
Houston-Stafford Electrical Contractors, LP	Texas
Houston-Stafford Holdings II LLC	Delaware
Houston-Stafford Management LLC	Arizona
Howard Brothers Electric Co., Inc.	Delaware
ICS Holdings LLC	Arizona
ICS Integrated Communication Services LP	Texas
IES Communications, Inc.	Delaware
IES Contractors Holdings LLC	Arizona
IES Contractors Management LLC	Arizona
IES Contractors, Inc.	Delaware
IES ENC Management, Inc.	Delaware
IES ENC, Inc.	Delaware
IES Federal Contract Group, LP	Texas
IES Holdings II LLC	Delaware
IES Holdings LLC	Arizona
IES Management LP	Texas
IES Operations Group, Inc.	Delaware
IES Properties Holdings II LLC	Arizona
IES Properties Holdings, Inc.	Delaware
IES Properties Management, Inc.	Delaware
IES Properties, Inc.	Delaware
IES Properties, LP	Texas
IES Reinsurance, Ltd.	Bermuda
IES Residential Group, Inc.	Delaware
IES Specialty Lighting, Inc.	Delaware
IES Ventures Inc.	Delaware
Integrated Electrical Finance, Inc.	Delaware
Intelligent Building Solutions, Inc.	Delaware
J.W. Gray Electric Company, Inc.	Delaware
J.W. Gray Electrical Contractors, LP	Texas
J.W. Gray Holdings II LLC	Delaware
J.W. Gray Holdings, LLC	Arizona

J.W. Gray Management, LLC	Arizona
Kayton Electric, Inc.	Nebraska
Key Electrical Supply, Inc.	Texas
Linemen, Inc. dba California Communications	Delaware
Mark Henderson, Incorporated	Delaware
Menninga Electric, Inc.	Delaware
Mid-States Electric Company, Inc.	Delaware
Mills Electric LP	Texas
Mills Electric Holdings II LLC	Delaware
Mills Electrical Contractors, Inc.	Delaware
Mills Electrical Holdings, LLC	Arizona
Mills Management LLC	Arizona
Mitchell Electric Company, Inc.	Arizona
M-S Systems, Inc.	Tennessee
Murray Electrical Contractors, Inc.	Delaware
NBH Holding Co., Inc.	Delaware
Neal Electric LP	Texas
Neal Electric Management LLC	Arizona
New Technology Electrical Contractors, Inc.	Delaware
Newcomb Electric Company, Inc.	Delaware
Pan American Electric Company, Inc.	New Mexico
Pan American Electric, Inc.	Tennessee
Paulin Electric Company, Inc.	Delaware
Pollock Electric, Inc.	Delaware
Pollock Summit Electric, LP	Texas
Pollock Summit Holdings II LLC	Delaware
Pollock Summit Holdings, Inc.	Arizona
PrimeNet, Inc.	Delaware
Primo Electric Company	Delaware
Raines Electric Company	Delaware
Raines Electric LP	Texas
Raines Holdings II LLC	Delaware
Raines Holdings LLC	Arizona
Raines Management LLC	Arizona
Riviera Electric LLC	Delaware
RKT Electric, Inc.	Delaware
Rockwell Electric, Inc.	Delaware
Rodgers Electric Company, Inc.	Washington
Ron's Electric, Inc., dba IES-North Plains	Delaware
SEI Electrical Contractor, Inc.	Florida
Spectrol, Inc.	Delaware
Summit Electric of Texas, Inc.	Delaware
T&H Electrical Corporation	Delaware
Tech Electric Co., Inc.	Delaware
Tesla Power (Nevada) II LLC	Delaware

Tesla Power (Nevada), Inc.
Tesla Power & Automation, LP
Tesla Power GP, Inc.
Tesla Power Properties, LP
Thomas Popp & Company
Valentine Electrical, Inc.
Wright Electrical Contracting, Inc.

Nevada
Texas
Delaware
Texas
Ohio
Delaware
Delaware

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Forms S-8 and S-4 File Nos. 333-67113, 333-45447, 333-45449, 333-91041, 333-31608, 333-32624, 333-50031, 333-62636 and 333-68274) of Integrated Electrical Services, Inc. of our report dated October 31, 2003, with respect to the consolidated financial statements of Integrated Electrical Services, Inc. included in this Annual Report (Form 10-K) for the year ended September 30, 2003.

ERNST & YOUNG LLP

Houston, Texas
November 24, 2003

POWER OF ATTORNEY

Know all men by these presents that Herbert R. Allen constitutes and appoints William W. Reynolds and Curt L. Warnock and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution, for him and in his name, place and stead, in any and all capacities to sign in his name to the Annual Report on Form 10-K of Integrated Electrical Services, Inc. for the fiscal year ended September 30, 2003, and any amendments thereto and to file the same, and with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Herbert R. Allen

Herbert R. Allen

November 24, 2003

POWER OF ATTORNEY

Know all men by these presents that Ronald P. Badie constitutes and appoints Herbert R. Allen, William W. Reynolds and Curt L. Warnock and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution, for him and in his name, place and stead, in any and all capacities to sign in his name to the Annual Report on Form 10-K of Integrated Electrical Services, Inc. for the fiscal year ended September 30, 2003, and any amendments thereto and to file the same, and with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Ronald P. Badie

Ronald P. Badie

November 24, 2003

POWER OF ATTORNEY

Know all men by these presents that Richard L. China constitutes and appoints Herbert R. Allen, William W. Reynolds and Curt L. Warnock and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution, for him and in his name, place and stead, in any and all capacities to sign in his name to the Annual Report on Form 10-K of Integrated Electrical Services, Inc. for the fiscal year ended September 30, 2003, and any amendments thereto and to file the same, and with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Richard L. China

Richard L. China

November 24, 2003

POWER OF ATTORNEY

Know all men by these presents that Donald P. Hodel constitutes and appoints Herbert R. Allen, William W. Reynolds and Curt L. Warnock and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution, for him and in his name, place and stead, in any and all capacities to sign in his name to the Annual Report on Form 10-K of Integrated Electrical Services, Inc. for the fiscal year ended September 30, 2003, and any amendments thereto and to file the same, and with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Donald P. Hodel

Donald P. Hodel

November 24, 2003

POWER OF ATTORNEY

Know all men by these presents that David A. Miller constitutes and appoints Herbert R. Allen, William W. Reynolds and Curt L. Warnock and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution, for him and in his name, place and stead, in any and all capacities to sign in his name to the Annual Report on Form 10-K of Integrated Electrical Services, Inc. for the fiscal year ended September 30, 2003, and any amendments thereto and to file the same, and with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitutes may lawfully do or cause to be done by virtue hereof.

/s/ David A. Miller

David A. Miller

November 24, 2003

POWER OF ATTORNEY

Know all men by these presents that Alan R. Sielbeck constitutes and appoints Herbert R. Allen, William W. Reynolds and Curt L. Warnock and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution, for him and in his name, place and stead, in any and all capacities to sign in his name to the Annual Report on Form 10-K of Integrated Electrical Services, Inc. for the fiscal year ended September 30, 2003, and any amendments thereto and to file the same, and with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Alan R. Sielbeck

Alan R. Sielbeck

November 24, 2003

POWER OF ATTORNEY

Know all men by these presents that C. Byron Snyder constitutes and appoints Herbert R. Allen, William W. Reynolds and Curt L. Warnock and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution, for him and in his name, place and stead, in any and all capacities to sign in his name to the Annual Report on Form 10-K of Integrated Electrical Services, Inc. for the fiscal year ended September 30, 2003, and any amendments thereto and to file the same, and with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitutes may lawfully do or cause to be done by virtue hereof.

/s/ C. Byron Snyder

C. Byron Snyder

November 24, 2003

POWER OF ATTORNEY

Know all men by these presents that Donald C. Trauscht constitutes and appoints Herbert R. Allen, William W. Reynolds and Curt L. Warnock and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution, for him and in his name, place and stead, in any and all capacities to sign in his name to the Annual Report on Form 10-K of Integrated Electrical Services, Inc. for the fiscal year ended September 30, 2003, and any amendments thereto and to file the same, and with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Donald C. Trauscht

Donald C. Trauscht

November 24, 2003

POWER OF ATTORNEY

Know all men by these presents that James D. Woods constitutes and appoints Herbert R. Allen, William W. Reynolds and Curt L. Warnock and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution, for him and in his name, place and stead, in any and all capacities to sign in his name to the Annual Report on Form 10-K of Integrated Electrical Services, Inc. for the fiscal year ended September 30, 2003, and any amendments thereto and to file the same, and with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitutes may lawfully do or cause to be done by virtue hereof.

/s/ James D. Woods

James D. Woods

November 24, 2003

CERTIFICATION

I, Herbert R. Allen, certify that:

1. I have reviewed this annual report on Form 10-K of Integrated Electrical Services, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 24, 2003

/s/ Herbert R. Allen

Herbert R. Allen
Chief Executive Officer

CERTIFICATION

I, William W. Reynolds, certify that:

1. I have reviewed this annual report on Form 10-K of Integrated Electrical Services, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 24, 2003

/s/ William W. Reynolds

William W. Reynolds
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report of Integrated Electrical Services, Inc. (the "Company") on Form 10-K for the period ending September 30, 2003 (the "Report"), I, Herbert R. Allen, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ HERBERT R. ALLEN

Herbert R. Allen
Chief Executive Officer
November 24, 2003

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report of Integrated Electrical Services, Inc. (the "Company") on Form 10-K for the period ending September 30, 2003 (the "Report"), I, William W. Reynolds, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ William W. Reynolds

William W. Reynolds
Chief Financial Officer
November 24, 2003